



Corporate Governance and Ownership Report

Pursuant to Art. 123-bis of the Consolidated Law on Finance

(traditional governance model)

(Financial year 2014/2015)

Date approved: 11 September 2015

Digital Bros S.p.A.

Via Tortona, 37 – 20152 Milan, Italy

VAT and tax identification no. 09554160151

Share capital: 5,644,334.80 euro fully paid-in

Reg. of Co. Court of Milan 290680 - Vol. 7394 Chamber of Commerce 1302132

This report is available at the address www.digitalbros.com
in the “*Investors*” section

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GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code for Listed Companies approved in July 2014 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., the Italian Banking Association, ANIA, Assogestioni, Assonime and Confindustria

Civil Code: the Italian Civil Code

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

Issuer: the issuer of the securities to which the Report refers

Financial Year: the financial year to which the Report refers

Group or Digital Bros Group: collectively, the Issuer and its subsidiaries, as defined in Art. 93 of the Consolidated Law.

Issuers' Regulation: the Regulation issued by Consob by resolution 11971 of 1999 concerning issuers, as amended.

Markets Regulation: the Regulation issued by Consob by resolution 16191 of 2007 concerning markets, as amended.

Related-Party Regulations: the regulation issued by Consob by resolution 17221 of 12 March 2010 (as amended) concerning transactions with related parties.

Consolidated Law: Legislative Decree 58 of 24 February 1998 (the Consolidated Law on Finance), as amended.

Report/Corporate Governance Report: the Corporate Governance and Ownership Report drafted pursuant to Articles 123-*bis* and 89-*bis* of the Consolidated Law.

Remuneration Report: the remuneration report provided for in Art. 123-*ter* of the Consolidated Law and approved by the Board of Directors in conjunction with the Corporate Governance Report.

Articles of Association: the Articles of Association of Digital Bros S.p.A., available from the website www.digitalbros.com.

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

1. PROFILE OF THE ISSUER

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

The Company's mission has also been pursued through a process of internationalisation, particularly in the last three years, through the incorporation and acquisition of fully-owned subsidiaries for the marketing of the Group's products in major European and American markets.

The Italian company is listed on the STAR segment of the MTA of Borsa Italiana and has adopted the Corporate Governance Code. The Company has adopted a traditional governance model.

Its corporate bodies are:

- the Shareholders' Meeting;
- the Board of Directors;
- the Board of Statutory Auditors and the Internal Control and Audit Committee; and
- the external auditors.

The Shareholders' Meeting expresses the will of the shareholders through its resolutions. Resolutions passed in accordance with the law or the Articles of Association are binding on all shareholders, including absent or dissenting shareholders, without prejudice to the right of withdrawal for dissenting shareholders, where permitted. The Shareholders' Meeting is convened in accordance with laws and regulations applicable to companies with securities listed on regulated markets in order to deliberate upon the matters within its purview according to law.

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

The Board of Statutory Auditors and the Internal Control and Audit Committee supervise compliance with the law and the Articles of Association and perform a management control function, in particular with regard to the principles of sound management and the adequacy of the Group's organisational structure. With effect from 7 April 2010, following the entry into force of Legislative Decree 39/2010, as a result of the transposition of Directive 200/43/EC, the Board of Statutory Auditors carries out the

activity established in Art. 19 of the Legislative Decree for the Internal Control and Audit Committee, and, more specifically, supervision of:

- the financial reporting process;
- the efficacy of internal control and risk management systems;
- the auditing of the annual accounts and the consolidated accounts; and
- the independence of the external auditors.

In accordance with the law, the external auditors are selected by the Shareholders' Meeting from among auditing firms enrolled in the register kept by Consob. The external auditors verify that the accounts have been properly kept, operating events have been duly recorded and the separate and consolidated financial statements match the accounting records.

In addition, the Internal Control and Risks Committee and the Remuneration Committee provided for in the Code and the Supervisory Board envisaged in Legislative Decree 231/2001 have also been formed and are operational.

2. OWNERSHIP STRUCTURES (pursuant to Art. 123-bis (1) of the Consolidated Law)

In this section, information is provided concerning the Company's ownership structures, in accordance with Art. 123-bis of the Consolidated Law, to the extent applicable. The information is up to date through 11 September 2015.

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

a) Capital structure (pursuant to Art. 123-bis (1) (a) of the Consolidated Law)

Subscribed, paid-in share capital is 5,644,334.80 euro.

Share capital is divided into 14,110,837 ordinary shares with a par value of 0.4 euro each.

	No. of shares	% of capital	Listed/unlisted	Rights and obligations
Ordinary shares	14,110,837	100%	MTA listed on STAR segment	Shares are registered, freely transferable, and indivisible, and each share confers the right to one vote in all ordinary and extraordinary sessions of the Company's Shareholders' Meeting.

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

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

The Company has no outstanding share-based incentive plans.

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

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

c) Significant holdings (pursuant to Art. 123-bis (1) (c) of the Consolidated Law)

The Company qualifies as an SME, as defined in Art. 1 (1) (w-quarter) (1) of the Consolidated Law, inasmuch as it meets the requirements laid down therein. Accordingly, the threshold for the disclosure of significant holdings pursuant to Art. 120 of the Consolidated Law is 5% of share capital with voting rights. According to the shareholder register, and considering the notices received pursuant to Art. 120 of the Consolidated Law as at the reporting date, the following parties directly or indirectly hold shares of the Company with voting rights equal to or greater than 5% of share capital:

Registrant	Direct shareholder	Registered shares	Percent of ordinary capital	Percent of voting capital
Abramo Galante	YES	4,904,307	34.76%	34.76%
Raffaele Galante	YES	4,678,736	33.16%	33.16%

d) Shares with special control rights (pursuant to Art. 123-bis (1) (d) of the Consolidated Law)

The Company has not issued any securities that confer special control rights.

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

The Company has not approved any employee share ownership schemes and employees do not directly exercise voting rights.

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

There are no restrictions on the right to vote of any kind.

g) Agreements between shareholders (pursuant to Art. 123-bis (1) (g) of the Consolidated Law)

The Company is not aware of any agreements between shareholders pursuant to Art. 122 of the Consolidated Law.

h) Change-of-control clauses (pursuant to Art. 123-bis (1) h) of the Consolidated Law) and provisions of the Articles of Association concerning take-over bids (pursuant to Articles 104 (1-ter) and 104-bis (1))

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

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

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

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

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

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

The extraordinary Shareholders' Meeting may grant the directors the power to increase share capital, on one or more occasions, for a maximum of five years from the date of the resolution, up to the amount determined in the resolution. Such power may also extend to the adoption of the resolutions provided for in Art. 2441 (4) and (5) of the Civil Code, 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 pre-existing share capital, including by cash contribution, on condition that the issue price correspond 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 assignment of profits and/or profit reserves to employees of the Company and its subsidiaries by issuing special classes of shares, in an amount corresponding to those profits and/or profit reserves.

On 28 October 2014, the Shareholders' Meeting authorised the Board of Directors to purchase own shares up to 10% of capital, by the date of approval of the financial statements at 30 June 2015, up to a maximum of 1,000,000 shares, pursuant to Art. 2357 of the Civil Code, for no less than 0.40 euro per share and no more than 10.00 euro per share. The purchase of own shares is authorised in accordance with Art. 144-bis of the Issuers' Regulation.

On 30 June 2015, the Company held 400,247 own shares, equivalent to approximately 2.83% of total share capital.

l) Management and coordination (pursuant to Art. 2497 of the Civil Code)

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

3. COMPLIANCE (pursuant to Art. 123-bis (2) (a) of the Consolidated Law)

The Company has adopted the Corporate Governance Code promoted by Borsa Italiana.

The governance model adopted by the Issuer takes account of the Company's size, shareholder structure, business segment and the complexity of its operations. Any departures from the Code due to the variables cited above are described in the various sections, with an explicit account for the reasons for adopting a different system and which company body has adopted such departures.

The Corporate Governance Code is available from the website <http://www.borsaitaliana.it/commito-corporate-governance/codice/2014clean.pdf>

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

4. BOARD OF DIRECTORS

By resolution of the Shareholders' Meeting of 28 October 2013, the Company amended its Articles of Association to reflect the changes required by Legislative Decree 27 of January 2010 and Law 120/2011.

4.1 Appointment and replacement of directors (pursuant to Art. 123-bis (1) (l) of the Consolidated Law)

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

The Shareholders' Meeting of 28 October 2014 set the number of the members of the administrative body at nine. Unless otherwise established upon appointment, the members of the Board of Directors remain in office for three financial years and leave office on the date of the Shareholders' Meeting convened to approve the financial statements for the final financial year of their term of office.

In order to ensure that the minority is able to elect a member of the Company's Board of Directors, pursuant to Art. 16 of the Articles of Association, the Board of Directors is appointed on the basis of lists submitted by shareholders, in which the candidates are listed with sequential numbers. Shareholders who, at the time of submission, hold an equity interest of no less than the amount established in applicable legislation, and in accordance with the Issuers' Regulation, may submit a list for the appointment of the directors. Each shareholder - or group of shareholders who are parties to the same shareholders' agreement - may not submit more than one list nor vote for more than one list, including through a third party or fiduciary company. Each candidate may be presented on a single list on pain of ineligibility.

The lists submitted must be signed by the shareholders and filed with the Company's registered office by the deadlines established in applicable legislation.

The following must be filed along with each list, by the deadlines indicated above:

- statements in which individual candidates accept their candidacy and certify, under their own responsibility, that they are not subject to any cause of ineligibility or incompatibility, and that they meet the requirements prescribed by the law and these Articles of Association for their respective offices;
 - curricula vitae containing each candidate's personal and professional characteristics, with an indication, where appropriate, that the candidate qualifies as independent;
 - certification issued by an intermediary authorised by law, attesting to ownership of the necessary number of shares at the time of submission of the list, or thereafter but by the deadline established in the Consolidated Law.
-

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

Directors are elected as follows:

a) all members of the Board of Directors, in the number determined by the Shareholders' Meeting from time to time, except for one, are drawn from the list that has obtained the greatest number of votes in the Shareholders' Meeting, in accordance with applicable gender balance provisions, in the sequential order in which they are presented in the list;

b) one member of the Board of Directors, and specifically the first candidate who satisfies the independence requirements established by applicable legislation, in the sequential order in which the candidates are presented in the list, is drawn from the list that has obtained the second-greatest number of votes in the Shareholders' Meeting. However, for this purpose, lists that have not obtained a percentage of votes equal to at least half that required to submit a list will not be considered.

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

If only a single list of candidates is submitted in accordance with applicable gender balance provisions, all directors will be elected from that list. If no lists are submitted, or if, for any reason, the directors are not appointed according to the procedure envisaged herein, the Shareholders' Meeting will see to the appointment of the directors by resolution passed with the legal majorities, in accordance with applicable gender balance provisions. In particular, when appointing directors in cases other than the election of the entire Board of Directors, the Shareholders' Meeting passes resolutions with the majorities required by the law and Articles of Association, without following the above procedure, but without prejudice to compliance with applicable gender balance provisions.

The list of candidates for the office is also published on the Company's website.

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

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

Pursuant to Art. 16 of the Articles of Association, if the majority of the directors appointed by the Shareholders' Meeting leave office, the entire Board of Directors is dismissed. In this case, the directors who have left office must convene the Shareholders' Meeting on an urgent basis to appoint the entire Board of Directors. The Board of Directors remains in office until the new board is elected.

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

The Articles of Association do not establish additional independence requirements beyond those imposed on members of the Board of Statutory Auditors by Art. 148 of the Consolidated Law, where not provided for in the Code.

The Company is not subject to additional legislation beyond the Consolidated Law with regard to the composition of the Board of Directors.

With respect to application criterion 5.C.2 of the Corporate Governance Code, the Board of Directors of Digital Bros S.p.A., in view of the Company's particular shareholder structure, has decided not to adopt specific succession plans for executive directors.

4.2 Composition of the Board of Directors (pursuant to Art. 123-bis (2) (d) of the Consolidated Law)

Art. 16 of the Articles of Association states that the Company is to be managed by a Board of Directors composed of five to eleven members. Before appointing the members, the Shareholders' Meeting determines their number and term of office.

Directors must satisfy the requirements established in applicable legislation.

A number corresponding to the minimum established by such legislation must satisfy independence requirements.

Refer to the appended Table 1, which presents the composition of the Board of Directors and committees at the end of the financial year.

Composition of the Board of Directors

The current Board of Directors, composed of nine members, was appointed by the Shareholders' Meeting on 28 October 2014 and will remain in office until the approval of the financial statements at and for the year ending 30 June 2017. A single list containing the following candidates was submitted to the Shareholders' Meeting by Abramo Galante and Raffaele Galante:

Name and surname	Office
Abramo Galante	Chairman and managing director
Raffaele Galante	Managing director
Davide Galante	Non-executive director
Stefano Salbe	Executive director
Bruno Soresina	Non-executive/independent director
Guido Guetta	Non-executive/independent director
Lidia Florean	Non-executive director
Elena Morini	Non-executive/independent director
Dario Treves	Non-executive director

All candidates were elected with 100% of voting capital.

The independent directors satisfy the independence requirements established in Art. 147-*ter* of the Consolidated Law, as well as the additional requirements laid down in the Corporate Governance Code.

The composition of the Board of Directors was as follows at the end of the financial year:

Name and surname	Office	Date appointed
Abramo Galante	Chairman and managing director	28 October 2014
Raffaele Galante	Managing director	28 October 2014
Davide Galante	Executive director	28 October 2014
Guido Guetta	Non-executive/independent director	28 October 2014
Stefano Salbe	Executive director	28 October 2014
Bruno Soresina	Non-executive/independent director	28 October 2014
Elena Morini	Non-executive/independent director	28 October 2014
Dario Treves	Non-executive director	28 October 2014
Lidia Florean	Non-executive director	28 October 2014

During the financial year and, more precisely, upon the approval of the financial statements at and for the year ended 30 June 2014, on 28 October 2015, Dani Schaumann, formerly a non-executive, independent director, left office.

The following is a brief account of the personal and professional characteristics of individual members of the Board of Directors:

Lidia Florean

Born in Portogruaro (VE) on 26 September 1951. Italian.

Registered in the Roll of Accountants and Accounting Experts of Milan.

Abramo Galante

Born in Beirut on 20 April 1963. Italian.

With his brother, Raffaele Galante, he founded Digital Bros S.p.A., which in time has become one of Italy's foremost video game distributors. He heads the Digital Bros Group's Business Development Department and is in charge of procurement activities with international partners.

He serves in offices at Digital Bros S.p.A. group companies, and in particular is Chairman and Managing Director of 505 Games S.r.l. and Game Network S.r.l., Director of 505 Games Ltd., Sole Director of 505 Mobile S.r.l. and Game Entertainment S.r.l., and Director of 505 Games US Inc., 505 Games Interactive Inc/Cityglance S.r.l., Pipeworks Inc, and Dr Studio Ltd.

Raffaele Galante

Born in Beirut on 07 May 1965. Italian.

With his brother, Abramo Galante, he founded Digital Bros S.p.A., which in time has become one of Italy's foremost video game distributors. He is responsible for the Digital Bros Group's sales activities and marketing policies.

He serves in offices at Digital Bros Group companies, and in particular he is Director of 505 Games S.r.l., Director of 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. and 505 Games Mobile Inc, Sole Director of 505 Games Spain Slu, Sole Director of 505 Games France S.a.s., Chairman and Managing Director of Digital Bros Game Academy S.r.l., and Director of Ebooks&Kids S.r.l, Cityglance S.r.l, Pipeworks Inc and Dr Studio Ltd.

Davide Galante

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

With his sons, Abramo and Raffaele Galante, he founded Digital Bros S.p.A., while continuing to carry out entrepreneurial and commercial activity in the textile sector.

Guido Guetta

Born in Milan, Italy, on 18 November 1969. Italian.

Holder of an undergraduate degree in Business Economics from Università Bocconi of Milan.

He is registered in the Roll of Chartered Accountants and a founding associate of the tax and legal consulting firm Pirola Pennuto Zei & Associati, where he has been working since 1994.

Member of the Civil Law Commission of the OIC (Italian Accounting Standard-Setter) and the Scientific Committee of AIAF, he is a lecturer in the IPSOA Master's Degree Programme in Taxation.

Stefano Salbe

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

Holder of an undergraduate degree in Business Economics from Università Bocconi of Milan. He began his career in 1990 in auditing at Deloitte & Touche. In 1995 he became Group Financial Analyst at Eaton Automotive. From 1996 to 2000 he was Administrative Director of Gruppo Austin Italia. He has been CFO of the Digital Bros Group since 2000. Sole Director of 505 Games GmbH, Director of 505 Games

S.r.l., Game Network S.r.l., Cityglance S.r.l., 505 Games Interactive Inc and 505 Games Mobile US, and General Manager of 505 Games Spain Slu.

Bruno Soresina

Born in Parma, Italy, on 1 January 1944. Italian.

Holder of an undergraduate degree in Economics. He began his career as a university researcher in 1969, and then in 1971 joined in the GTE group, where he occupied various senior positions. From 1986 to 1992 at Siemens he was General Manager and Executive Member, Siemens Group Private Telecommunications. From 1992 to 1996 he was Managing Director and General Manager of Federmeccanica. From 1997 to 2007 he was at ATM Milano, where he acted as Chairman and Managing Director. He is Chairman of SIAM 1838 (Società d'Incoraggiamento d'Arti e Mestieri) and a consultant in strategy and organisation.

Elena Morini

Born in Rome on 9 March 1980. Italian.

Holder of an undergraduate degree in Law from Università Cattolica del Sacro Cuore of Milan.

She began her career as an attorney in leading law firms, and after several years of experience with Piaggio & C. S.p.A., since 2013 she has been General Counsel to Moleskine S.p.A., a company listed on the STAR segment of Borsa Italiana.

Dario Treves

Born in Milan, Italy, on 02 March 1968. Italian.

Holder of an undergraduate degree in Law from Università degli Studi of Milan.

A member of the Milan Bar Association and counsel to the Court of Cassation.

Owner of a law firm with specific expertise in civil, procedural and bankruptcy law. Director of Game Network S.r.l.

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

Directors may not serve in offices at other listed companies, finance, banking or insurance companies, or companies of significant size.

Maximum concurrent positions filled at other companies

In accordance with the provisions of the Code concerning the role of the Board of Directors and the effective performance of its functions, the Board of Directors, in a resolution, expressed its stance on the maximum number of positions of director, establishing the limits that may be regarded as compatible with effective fulfilment of the office of director. Directors may not serve as director at more than five other companies listed on regulated markets (in Italy and internationally), finance, banking or insurance

companies, or companies of significant size, and must undertake, upon accepting the position of director, to dedicate the necessary time to the diligent performance of their duties, in consideration of the other offices accepted. The companies of the Digital Bros S.p.A. Group are not to be considered for the purposes of the limit on concurrent positions filled at other companies.

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

Induction Programme

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

4.3 Role of the Board of Directors (pursuant to Art. 123-bis (2) (d) of the Consolidated Law)

The Board of Directors bears exclusive responsibility for managing the Company and undertakes the transactions required for the pursuit of the Company's object.

Pursuant to Art. 18 of the Articles of Association, meetings of the Board of Directors - without prejudice to the powers of convocation reserved for the Board of Statutory Auditors in the cases provided for by law - are convened by the Chairman of the Board of Directors, according to the conditions indicated therein, or at the written request of any member. That same Art. 18 of the Articles of Association also provides that there must be at least four days between the day on which the notice of the meeting is sent and the scheduled date of the meeting. However, in urgent cases, this period may be shorter, but never less than one day.

The calendar of meetings at which annual and interim results are examined was submitted to Borsa Italiana by the established deadline and is published on the Company's website.

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

- a) to appoint the executive committee, where applicable, and to establish the term of office, powers and remuneration of its members;
- b) to allocate the remuneration awarded to the Board of Directors to individual directors and managing directors, in consultation with the Board of Statutory Auditors;
- c) to institute any committees and commissions with a consultative role, and to determine their powers, duties and operating procedures;

- d) to report to shareholders during the Shareholders' Meeting;
- e) to report to the Board of Statutory Auditors, with at least quarterly frequency, on the activity performed and the transactions deemed most significant.

By company practice, and by resolution of the Board, the Board of Directors is exclusively responsible for:

- a) examining and approving the strategic, business and financial plans of the Company and the Group, the corporate structure of the Group of which it is the parent company, and the Company's corporate governance;
- b) verifying the adequacy of the organisational and administrative and general accounting structure of the Company and Group companies, with particular regard to the internal control system and conflict of interest management;
- c) granting and revoking delegated powers to the managing directors and establishing their limits and conditions of exercise; establishing the frequency (no more than quarterly) with which the managing directors must report to the Board of Directors concerning the activity performed during the year and the powers granted to them;
- d) supervising general operating performance, with a particular focus on situations of conflict of interest, taking into account the information received from the managing directors and the Internal Control and Risks Committee, and periodically comparing actual and planned results;
- e) examining and approving in advance the transactions of the Company and its subsidiaries of significant strategic and financial importance, with a particular focus on situations of potential conflict of interest and related-party transactions;
- f) drafting and adopting the Group's corporate governance rules;
- g) establishing the frequency with which the managing directors report to the Board of Directors;
- h) conducting an assessment, at least once a year, of the size, composition and functioning of the Board of Directors and committees instituted. By virtue of this assessment, it expresses opinions for the shareholders of the professionals whose presence on the Board of Directors is deemed appropriate, prior to the appointment of the new Board of Directors;
- i) providing information in the corporate governance report concerning (1) its composition, with an indication for each member of his or her position, role within the Board of Directors, main characteristics and length of service; (2) the methods of application of Art. 1 of the Corporate Governance Code, the number and average duration of meetings of the Board of Directors and the percent participation of each director; (3) the conditions of the process of evaluation of the functioning of the Board of Directors and committees instituted;
- j) adopting, by proposal of a managing director or the Chairman of the Board of Directors, a procedure for the internal management and disclosure of documents and information concerning the issuer, with particular regard to privileged information;
- k) expressing its stance on the maximum number of positions of director or statutory auditor at companies listed on regulated markets (Italian and international), at finance, banking or insurance companies, or companies of significant size, considering the participation of the directors in the committees instituted;

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

The Chairman of the Board of Directors ensures that the information and documents relevant to the decisions within the purview of the Board of Directors are made available to the members of the Board of Directors and the Board of Statutory Auditors, in the manner and with the timing deemed appropriate. Executives of the Company and the Group are allowed to participate in meetings of the Board of Directors to provide the appropriate clarification concerning subjects on the agenda.

The rules and procedures of the Board of Directors provide that the Chairman is to ensure that adequate information is provided to all Directors concerning the orders of business on the agenda for each meeting suitably in advance. More specifically, if the orders of business relate to initiatives of an ordinary nature, the pertinent documents, where available, are normally forwarded two business days prior to the scheduled date of the meeting of the Board of Directors, unless particular confidentiality considerations urge otherwise, with especial regard to privileged data or information. The Chairman of the Board of Directors assesses initiatives of an extraordinary nature on a case-by-case basis.

The deadlines were observed.

During the financial year ended on 30 June 2015, the Board of Directors met seven times, with an average duration of two hours and 30 minutes. For the financial year ending on 30 June 2015, six meetings of the Board of Directors are scheduled, one of which has already been held.

The dates of meetings of the Board of Directors for the examination of financial data are announced to the public in advance. The meeting of the Board of Directors responsible for approving the annual financial statements is also announced in advance. The financial calendar is available from the Company's website.

Prior information was not withheld for reasons of confidentiality from members of the Board of Directors concerning any matters discussed at meetings of the Board of Directors in the course of the financial year.

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

On 13 November 2014, the Board of Directors conducted its annual evaluation, pursuant to application criterion 1.C.1 g) of the Code, and concluded that the size, composition and functioning of the Board of Directors and its committees were suited to the Company's management and organisational needs, considering the professional characteristics and management and general experience of its members, and acknowledged that the current Board of Directors is composed of nine directors, of whom six are non-

executive directors, and three independent directors, in accordance with the criteria set forth in Art. 148 (3) of the Consolidated Law and the Code. In conducting this evaluation, it was assisted by the work done by the Control and Risks Committee and the experience of its members. This analysis was carried out taking account of the complexity and size of the Company and the Group.

On 28 October 2014 the Shareholders' Meeting authorised annual remuneration for the entire Board of Directors of 1,100,000.00 euro. The remuneration of individual directors was approved by the Board of Directors, in consultation with the Board of Statutory Auditors and the Remuneration Committee. The Company implements a remuneration policy for governance bodies that provides for incentives tied to the satisfaction of objectives.

The amount of the remuneration collected by members of the Board of Directors during the year ended 30 June 2015 is indicated in detail in the Remuneration Report.

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

On 11 November 2010, the Board of Directors approved a procedure governing the undertaking of significant transactions in which a director has an interest. The procedure is available from the Company's website, www.digitalbros.com, in the "Corporate Governance" section.

Transactions to be undertaken (including through the conclusion of binding preliminary agreements or master agreements) by the Company or a subsidiary of the company falling into the following categories are subject to the prior approval of the Company's Board of Directors inasmuch as they are deemed significant transactions:

- a) mergers, demergers, disposals, and acquisitions, in any form, of equity interests in companies, business or business units;
- b) investments in technical fixed assets of a total value of 1,000,000 euro per transaction;
- c) leases (or sub-leases) of real estate, leases (or sub-leases) of companies or business units with a term of more than nine years or a value of more than 1,000,000 euro per transaction;
- d) settlements of disputes, in or out of court, with a value of more than 1,000,000 euro per transaction;
- e) disposals of operating assets with a total value of more than 1,000,000 euro per transaction;
- f) the granting of loans or guarantees of more than 3,000,000 euro per transaction, where in the interest and/or for the benefit of companies (or associations, foundations, consortia or entities) directly or indirectly controlled by the Company, or 500,000 euro where for or in the interest of third parties;
- g) undertakings to purchase goods or services and/or contracts to purchase, sell or supply, in any form, moveable property or to provide works or services, or relating to investments in technical fixed assets, and the granting of loans. In all cases in which the joint signature of two managing directors is required.

In order to avoid obstructing the ordinary management of the Company, the transactions indicated in points d) and g) may be undertaken by the managing directors with adequate information for the directors and statutory auditors and may only be ratified subsequently by the Board of Directors.

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

Transactions with related parties undertaken by Group companies are reserved for the examination and prior approval of the Board of Directors when such transactions are of strategic importance from the standpoint of financial performance or financial position. On 11 November 2010, the Board of Directors approved a new procedure for related-party transactions to reflect the amendments introduced by Consob resolution 17221 of 12 March 2010. The general criteria for identifying transactions with related parties of a significant nature have been defined. The procedure is available from the Company's website, www.digitalbros.com, in the "*Corporate Governance*" section.

The Shareholders' Meeting has authorised departures from the non-compete provision of Art. 2390 of the Civil Code. The Board of Directors has not had to examine any cases of this nature.

4.4 Governance bodies

Managing directors

Abramo Galante and Raffaele Galante have been appointed to the position of managing director.

At its meeting of 13 November 2014, in further pursuit of an efficient, flexible system for managing the Company's operations, the Board of Directors also granted the managing directors all powers of ordinary and extraordinary management, except for those reserved for the Board of Directors by law, the Articles of Association or express resolution of the Board of Directors.

In any event, all decision-making powers and powers of disposition in ordinary and extraordinary management in excess of 5,000,000.00 euro must be exercised by the joint signature of both managing directors.

The interlocking directorate situation envisaged in criterion 2.C.5 of the Code does not apply.

Chairman

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

Pursuant to the law and Articles of Association, the Chairman holds the power of legal representation of the Company and signing authority for all legal transactions. The Chairman has also received delegated management powers as managing director.

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

The Chairman ensures that all directors participate in initiatives to increase their knowledge of the sector of reference, the Company's situation and dynamics, and the legislative framework of reference, so as to be able to exploit the various professional skills and allow his or her role to be performed effectively.

Executive committee

An executive committee has not been instituted.

Information for the Board of Directors

During the year, the managing directors reported to the Board of Directors concerning the activity carried out in the exercise of the powers delegated to them and on the subject of the most significant transactions at the first available meeting, and with at least quarterly frequency.

4.5 Other executive directors

Pursuant to application criterion 2.C.1 of the Code, Stefano Salbe is to be considered an executive director since he serves in an executive capacity to the Issuer, and in particular in the position of Chief Financial Officer of the Group, Executive Director in charge of internal control and risk management, Chairman of the German subsidiary 505 Games GmbH, and General Manager of 505 Games Spain Slu.

4.6 Independent directors

During its meeting of 13 November 2014, following its appointment, the Board of Directors, acting on the basis of the information disclosed by each director, verified that its members satisfied the independence requirements established in Art. 148 (3) of the Consolidated Law and Art. 3 of the Corporate Governance Code, and established the satisfaction of legal independence requirements by Directors Guido Guetta, Elena Morini and Bruno Soresina, who confirmed that they met the independence requirements laid down in Art. 148 (3) and (4) of the Consolidated Law, and that, pursuant to the Code, none of the circumstances envisaged in 3.C.1 and 3.C.2 of the Corporate Governance Code nor other situations undermine their qualification as independent directors. Director Bruno Soresina would not qualify as independent pursuant to application criterion 3.C.1 (e) of the Code. On 13 November 2014 and 11 September 2015, the Board of Directors deemed Director Bruno Soresina independent on the basis of the *de facto* situation, in departure from the application criterion of the Code (which is not binding).

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

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

The Board of Statutory Auditors verified that the assessment criteria and procedures adopted by the Board of Directors in assessing the independence of its members had been properly applied and had no observations with regard to the Board of Directors' work.

The non-executive directors and independent directors are sufficient in terms of number and authority to ensure that their judgement may have a significant weight in the decision-making process of the Issuer's Board of Directors. Non-executive directors and independent directors bring their specific expertise to

bear on discussions within the Board of Directors, and thereby contribute to the decision-making process in a manner consistent with the Company's interest.

During the year ended 30 June 2015, the independent directors met four times without the other directors. During such meetings, they analysed the structure of the Group's control system and the internal control activities carried out.

The independent directors' contributions allow the Board of Directors to verify whether cases of potential conflict of interest involving the Company and its controlling shareholders have been examined in a suitably independent manner.

4.7 Lead independent director

The Board of Directors has not designated a lead independent director since the requirements for so doing laid down in the Code have not been met.

5. HANDLING OF COMPANY INFORMATION

The Chairman and managing director, along with the investor relation manager, supervise the disclosure to the public of events that occur within the Group's sphere of activity. The responsible parties are in charge of the external disclosure of documents and information, with particular regard to privileged information. Employees, directors, statutory auditors and independent contractors are required to keep in confidence documents and information obtained in the course of their duties.

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

Moreover, by resolution of 9 November 2006, the Board of Directors adopted:

- a) the procedure for the disclosure to the market of privileged information and documents concerning Digital Bros S.p.A. and the financial instruments issued by the Company;
- b) the procedure for identifying the relevant persons and communicating the transactions undertaken by such persons, directly or through third parties, in respect of shares issued by Digital Bros S.p.A. or other financial instruments related thereto (the internal dealing procedure);
- c) the procedure for keeping and updating the register of persons who have access to the Company's privileged information.

The market disclosure procedure also takes account of the indications of the Market Information Guidelines drawn up by the Ref Corporate Disclosure Form, containing the principles of proper information for the market and the Code, and lays down the rules and procedures for disclosing to the public privileged information directly concerning the Company and its subsidiaries. All privileged information is disclosed to the public by sending a press release that contains the elements suited to permitting a full, proper assessment of the events and circumstances represented. All directors, statutory auditors and employees of the Company, as well as independent contractors, are required to keep in confidence the privileged information they obtain in the course of their duties, and to inform the investor relations manager thereof immediately. The investor relations manager then reports to the managing director for the appropriate measures and adheres to the procedures adopted for the external disclosure of such documents and information.

The internal dealing procedure has been prepared in accordance with Art. 114 (7) of the Consolidated Law and identifies the relevant persons and persons with close ties to relevant persons, in addition to establishing a disclosure obligation for all transactions involving the purchase, sale, subscription or exchange of the Company's shares and financial instruments linked to shares undertaken by such persons and persons with close ties to such persons, the total amount of which, in absolute terms (meaning the sum of the prices paid and collected) is, separately or together with previous transactions, greater than or equal to 5,000 euro. With respect to each relevant person, this amount is calculated by summing the

amount of the transactions undertaken by or on account of the relevant person in question with the amount of those undertaken by or on account of persons with close ties to that same relevant person.

The Company discloses the information received according to the above as governed by the new internal dealing provisions of Art. 114 (7) of the Consolidated Law and Articles 152-*sexies*, 152-*septies* and 152-*octies* of the Issuers' Regulation.

In accordance with Art. 2.2.3 (3) (P) of the Borsa Italiana Regulations, applicable to companies with shares listed on the STAR Segment of the MTA market, pursuant to the internal dealing procedure, relevant persons and persons with close ties to relevant persons may not undertake transactions until disclosure to the public, and in the 15 preceding days, of the outcome of meetings of the Company's Board of Directors examining mandatory periodic statements, proposals for the distribution of advances on dividends and preliminary results and, if disclosed in such venue, the proposal for the annual dividend to be put to the Shareholders' Meeting. The restriction does not apply to the purchase of shares through the exercise of rights awarded in the context of stock-option and stock-grant plans, without prejudice to the obligation not to proceed with the sale thereof in the periods indicated.

The procedure for keeping and updating the register of persons with access to privileged information reflects the provisions of the Issuers' Regulation, and, in particular, defines:

- (i) the terms and conditions of registration in the register and removal, where appropriate, of persons who, by virtue of their working or professional activity, or as a result of the functions they perform on behalf of Digital Bros, have access to privileged information on a regular or occasional basis;
- (ii) the methods of informing the interested party of registration in and/or removal from the register and the reasons for so doing.

6. INTERNAL BOARD COMMITTEES (pursuant to Art. 123-bis (2) (d) of the Consolidated Law)

In order to increase the efficacy of the work of the Board of Directors, the Internal Control and Risks Committee and Remuneration Committee have been instituted within the Board of Directors.

Considering that the current list-based voting mechanism ensures a transparent appointment procedure and balanced composition for the Board of Directors and has always permitted the presence of an adequate number of independent directors, the Board of Directors did not deem it necessary to proceed with the institution of an internal Nomination Committee.

No committees beyond those envisaged in the Code have been instituted. It should be noted that no committees have been instituted with the functions or two or more of the committees as provided for in the Code, and that the functions of committees envisaged in the Code have not been reserved for the Board of Directors.

7. NOMINATION COMMITTEE

Considering that the current list-based voting mechanism, which ensures a transparent appointment procedure and a balanced composition for the Board of Directors, has always permitted the presence of an adequate number of independent directors, the Board of Directors did not deem it necessary to proceed with the institution of an internal Nomination Committee.

8. REMUNERATION COMMITTEE

Composition and functioning of the Remuneration Committee (pursuant to Art. 123-bis (2) (d) of the Consolidated Law)

The Board of Directors has instituted an internal Remuneration Committee, composed of three non-executive, independent directors for the entire duration of the financial year.

From 1 July 2014 to 28 October 2014, it was composed of Directors Guido Guetta, Bruno Soresina and Dani Schaumann, whereas since 28 October 2014 it has been composed of Guido Guetta, Elena Morini and Bruno Soresina.

The Board of Directors judged the knowledge and experience possessed by Director Guido Guetta upon appointment to be adequate.

The composition of the Remuneration Committee did not undergo further change during the year.

No executive director participated in meetings of the Remuneration Committee during which proposals were formulated with respect to the remuneration of directors.

During the year ended on 30 June 2015, the Committee met four times, with an average duration of meetings of one hour and 30 minutes, and with the participation of all of its members. The following were examined on these occasions: management incentive plans, directors' remuneration, the definition of "key manager" and the proper application at the Group level for the purposes of the Remuneration Report.

The Remuneration Committee met regularly prior to the resolution by the Board of Directors assigning compensation to the Board of Directors. Minutes were taken for the meetings.

The Committee has scheduled four meetings for the current year, one of which has been regularly held.

Functions of the Remuneration Committee

In accordance with the Corporate Governance Code, the Remuneration Committee is tasked with:

- submitting proposals to the Board of Directors concerning the remuneration of managing directors and other directors who serve in particular offices, while monitoring the application of the decisions reached by the Board of Directors;
- periodically assessing the criteria adopted for the remuneration of key management personnel;
- supervising their application on the basis of the information provided by the managing directors;
- formulating general recommendations for the Board of Directors concerning remuneration, the determination of performance objectives correlated with the variable component of remuneration, and verifying that such objectives have actually been achieved;
- reviewing the Remuneration Report pursuant to Art. 147-ter of the Consolidated Law.

Instituting this Committee is a means of ensuring the fullest, most transparent information concerning the remuneration due to managing directors and senior executives, and the methods for determining such remuneration. However, it is understood that, in accordance with Art. 2389 (3) of the Civil Code, the Remuneration Committee acts solely in a propositional capacity, whereas the power to determine the remuneration of directors with particular offices falls, in any event, to the Board of Directors, with the prior opinion of the Board of Statutory Auditors.

The Company has also approved rules and procedures for the operation of the Committee, according to which the Committee meets at least twice a year and always prior to the session of the Board of Directors tasked with establishing the remuneration of directors with particular offices and/or the Company's senior management.

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

The Committee did not secure the services of external consultants.

No additional functions were assigned to the Remuneration Committee.

The Board of Directors provides the Committee on each occasion with the resources required for the fulfilment of its functions at the Committee's request.

9. DIRECTORS' REMUNERATION

General remuneration policy

The Board of Directors has established a remuneration policy for executive directors, non-executive directors and key management personnel.

A significant portion (balanced against the fixed portion) of the total remuneration of executive directors and key management personnel is tied to the economic results achieved by the Issuer and the achievement of the objectives indicated. The variable portion is commensurate in percent terms to the fixed component and therefore presents maximum limits. In determining the variable component, the Board of Directors assessed the fixed component as constituting remuneration for the services of directors and key management personnel.

The performance objective is tied to the profitability generated during the financial year and is easily measurable. Performance objectives are modified from one year to the next as a function of the strategic objectives pursued by the Group, by the proposal of the Remuneration Committee. The variable component is paid after the draft financial statements are approved.

Directors' remuneration is determined by the Board of Directors by proposal of the Remuneration Committee. On 28 October 2014 the Shareholders' Meeting approved gross annual remuneration of 1,100,000.00 euro.

No indemnities for early termination of directorship have been established.

The directors submit the Remuneration Report to the Shareholders' Meeting.

Share-based remuneration plans

There are no share-based incentive plans for employees or directors (executive or non-executive).

Remuneration of non-executive directors

The remuneration of non-executive directors is not tied to the Company's economic performance. Non-executive directors do not benefit from share-based incentive plans. The remuneration of non-executive directors is determined in a fixed amount at the moment of the resolution by the Board of Directors setting their remuneration.

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

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

10. CONTROL AND RISKS COMMITTEE

The Board of Directors instituted a Control and Risks Committee, after verifying the requirements of non-executive, independent status in accordance with the law and the application criteria of Art. 3 of the Code. The current Committee, which was appointed by resolution of 13 November 2014, was composed of three non-executive, independent directors at reporting date: Guido Guetta, Elena Morini and Bruno Soresina.

Composition and functioning of the Control and Risks Committee (pursuant to Art. 123-bis (2) (d) of the Consolidated Law)

The composition of the Control and Risks Committee underwent the following changes during the year: from 1 July 2014 to 28 October 2014 it was composed of Guido Guetta, Bruno Soresina and Dani Schaumann, whereas since 28 October 2014 it has been composed of Guido Guetta, Elena Morini and Bruno Soresina.

Regardless of its composition, for the entire duration of the year, the Control and Risks Committee had one member, Guido Guetta, with experience in accounting and financial matters deemed adequate by the Board of Directors upon appointment.

During the year ended 30 June 2015, the Committee met four times, with an average duration of meetings of approximately one hour and 30 minutes, and with the participation of all members and the presence of the Board of Statutory Auditors, internal control officer and director in charge of internal controls and risks. Minutes were taken for the meetings.

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

Functions assigned to the Control and Risks Committee

The Control and Risks Committee performs the following functions:

- a) supporting the Board of Directors with setting guidelines for the internal control system and periodically verifying that the system is adequate and functioning effectively;
 - b) assessing, along with the financial reporting officer and auditors, the adequacy of the accounting policies followed and their consistency for the purposes of preparation of the consolidated financial statements;
 - c) expressing, upon the request of a director assigned this task, opinions concerning specific aspects relating to the identification of major company risks and the planning, implementation and management of the internal control system;
 - d) assessing the work plan drawn up by the internal control officer and receiving periodic reports by the internal control officer;
-

- e) reporting to the Board of Directors with at least half-yearly frequency in conjunction with the approval of the financial statements and interim financial report, on the activity and adequacy of the internal control system.

No additional functions have been assigned to the Committee.

During the year, the Control and Risks Committee analysed the work plan drawn up by the executive director and verified progress on this plan. It assessed and monitored progress on the work plan drawn up by the internal control officer and worked with the financial reporting officer in assessing the proper application of accounting policies and the consistency of such policies for the purposes of preparing the consolidated financial statements. The Chairman of the Board of Statutory Auditors - or another member assigned by the Chairman of the Board of Statutory Auditors - participated in the Committee's work.

In the course of performing its functions, the Control and Risks Committee may access the company information and functions required to carry out its tasks, and did not deem it necessary to draw on financial resources to perform its duties.

The Board of Directors provides the Control and Risks Committee with the resources required to perform its functions from time to time.

The Committee did not secure the services of external consultants.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

- a) the Board of Directors, which sets the guidelines for the internal control system (so that the main risks affecting the Company and its subsidiaries are properly identified and adequately measured, managed and monitored) and periodically assesses the adequacy and effective functioning of that system through the appointment of the Control and Risks Committee and that Committee's periodic reporting;
- b) the managing director, who is responsible for implementing the guidelines established by the Board of Directors, and in particular for identifying the main company risks, with the support of the director in charge of the internal control and risk management system;
- c) the director in charge of the internal control and risk management system, who verifies that the internal control system is constantly adequate, fully operational and functional, and, where necessary, suggests that the Control and Risks Committee and the Board of Directors adopt all measures aimed at eliminating risks of an operational and financial nature and improving the efficiency and efficacy of company processes;

- d) the Control and Risks Committee, which plays a consultative and propositional role, extending, *inter alia*, to assessment of the proper use of accounting policies and their consistency for the purposes of preparation of the consolidated financial statements;
- e) the internal control officer, who, in coordination of the Control and Risks Committee, plans risk-monitoring activities, prepares a working plan, and informs the Control and Risks Committee and director in charge of the internal control and risk management system of the main work-related risks.

The control system is the set of rules, procedures and organisational structures aimed at allowing sound, fair management of the business in a manner consistent with the pre-determined objectives through an adequate process of identifying, measuring, managing and monitoring the major risks. The internal control system in relation to the financial reporting process is an integral part of the larger risk management system. The internal control system contributes to ensuring the protection of company assets, the efficiency and efficacy of company operations, the reliability, trustworthiness, accuracy and timeliness of financial reporting, and compliance with laws and regulations.

In carrying out its functions relating to the internal control system, the Board of Directors takes due account of the models of reference and best practices existing at the national 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 such provisions and, more generally, all rules and procedures governing the processes of gathering, processing, representing and disseminating company information, Digital Bros has implemented an internal control system summarised in its Internal Control Manual, which is periodically updated and submitted for the approval of the Board of Directors. The Manual is then periodically distributed for review and approval by the Group's organisational structures.

The purpose of the Internal Control Manual is to facilitate the consultation by the directors and/or key employees and/or employees in charge of lines of business of the procedures deemed essential by the Board of Directors to meeting internal control needs.

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

- management planning and control: the structured system for preparing short- and/or medium-/long-term forecasting plans and periodically monitoring such plans;
- Legislative Decree 231/2001: the organisational model prepared for the purposes of the Decree in question and analysed in a specific section of the Report;
- the risk-identification procedure: it defines the roles, functions and methods whereby the Company identifies, assesses and monitors the main risks to which the Group is exposed so as to plan any corrective actions;

- procedure for identifying company events: this determines the criteria used to ensure the reliability, completeness and timeliness of financial reporting, including in the light of Legislative Decree 262/2005;
- the manual of the Group's operating procedures, governing the main processes implemented by the Company and its subsidiaries.

Existing steps of the risk management and internal control system in relation to the financial reporting process

The process of identifying financial reporting risks is an integral part of the larger risk identification and management and internal control system implemented by the Group.

Risks are identified through an ongoing process that involves not only the Board of Directors, but also level-one organisational structures in coordination meetings held periodically throughout the year. Their work is summarised in a risk matrix that is prepared and regularly reviewed by the director in charge of the internal control and risk management system, who attends the coordination meetings. In individual charts, each separate risk is described, given a gross rating according to a probability/impact grid, and assigned a net rating on the basis of mitigating factors and/or steps taken to reduce and monitor the risk. The director in charge of the internal control and risk management system is assisted by the Control and Risks Committee in his or her preparations.

The individual risk charts also show the impact that a failure to reach control objectives would have in terms of operations and financial reporting.

The thoroughness of the risk map and the ratings of net risk are assessed jointly by the two managing directors and by the director in charge of the internal control and risk management system. The Board of Statutory Auditors supervises the efficacy of this process. The main risks, both of an operational nature and relating to financial reporting, are presented in a specific section of the consolidated financial statements.

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

The assessment of controls in terms of both improvement and operations is formalised at least once every six months by the director in charge of the internal control and risk management system, who reports to the Board of Directors on the 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. The phases of video game production and creation, and the purchase of video games from third parties, are carried out by the parent company and/or Italian subsidiaries and handled directly by two managing directors, within the limits of the powers delegated to them, jointly or separately, or by the Board of Directors in cases of larger amounts.

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

The common ERP platform also permits:

1. the efficacy of the process of consolidating and standardising accounting policies, which is carried out at the level of the parent company and monitored through an appropriate procedure;
2. the expansion of the scope of relevant processes and companies for the purposes of Legislative Decree 262/2005 to all companies and processes, since it is easy to implement control mechanisms for all companies and processes employed.

Although the processes are subject to control, reports are nonetheless to be sent by the heads of the individual entities on a quarterly basis.

The short-term planning and control processes implemented by the Group envisage a structured calendar of activities on a periodic, quarterly basis and are prepared through a structured system of coordination meetings attended not only by the managing directors but also individual entity heads. Plan progress during the quarter is monitored on a forward-looking and ongoing basis through business intelligence systems and at least one coordination meeting per quarter.

Medium-/long-term planning processes involve the same group of individuals, with half-yearly frequency, through appropriate meetings aimed at verifying both the planning process and the analysis of deviations.

Short-term planning and the relative analysis of deviations are submitted for the attention and approval by the Board of Directors on at least a quarterly basis, on a half-yearly basis for medium-/long-term planning and the relative deviation analysis.

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

The director in charge of the internal control and risk management system, Stefano Salbe: (i) has direct access to all information useful to performing the assigned functions; (ii) reports on his actions to the Control and Risks Committee and the Board of Statutory Auditors; and (iii) has been supplied with the resources required to perform the tasks assigned to him.

The director in charge of the internal control and risk management system:

- is responsible for identifying company risks, liaising with other company functions and periodically reporting to the Board of Directors;
- executes the guidelines set by the Board of Directors, plans, implements and manages the internal control system, and verifies the adequacy and efficacy of its processes;
- is responsible for adapting the internal control system to market dynamics, the transactions undertaken, and legislative and regulatory modifications; and
- proposes the appointment of one or more internal control officers.

11.2 Internal control officer

By proposal of the director in charge of the internal control and risk management system, and in consultation with the Control and Risks Committee, the Board of Directors appointed Antonio Giardini the internal control officer, and also defined his remuneration criteria. Following his appointment, during the year the internal control officer:

- updated the system for identifying, classifying and assessing the areas of risk for the purposes of planning control action;
- carried out the planned control processes, identified any deviations from the models adopted and formulated proposals for corrective measures to be taken;
- maintained relations and ensured information flows with the Supervisory Board, Internal Control Committee, Board of Statutory Auditors and the director in charge of the internal control and risk management system.

The internal control officer has direct access to all information useful to performing his duties, and reports to the Control and Risks Committee in his capacity as internal control officer.

Considering the Group's structure, the Issuer has yet to institute an internal audit function, which is performed directly by the internal control officer. The Board of Directors believes that the current internal control system (as described in the body of the Report) may, as a whole, be considered suited to ensuring, *inter alia*, the objectives of proper management and to pursuing the aims of monitoring and observation attributed to internal auditing.

The financial resources made available consist mainly of the reimbursement of expenses incurred primarily to achieve monitoring objectives, which were carried out at the Group's international offices.

11.3 Organisational model pursuant to Legislative Decree 231/2001

On 30 March 2006, the Board of Directors approved the organisational model and code of ethics, which have since been amended. The organisational model adopted by the Company is structured as follows:

- 1) a general section, which introduces the model and lays down governance rules, with particular regard to (i) the addressees; (ii) the composition, role and powers of the Supervisory Board; (iii) the role of the Board of Directors; (iv) flow of information for the Supervisory Board; (v) the penalty system; and (vi) dissemination of the organisational model amongst the addressees;
- 2) a special section in which, with regard to each offence relevant in the abstract to the Company, the processes at risk and rules of conduct that each addressee is required to observe in carrying out his or her activities are identified and described.

In accordance with the organisational model, the following offences are relevant in the abstract to the Issuer:

- offences against the public administration;
- corporate offences;
- financial offences and market abuse;
- offences against the individual and the offences of manslaughter and severe and very severe personal injury, committed in violation of accident prevention and workplace health and hygiene statutes;
- cybercrimes and illicit data processing;
- offences against industry and commerce; and
- copyright infringement.

In light of the organisational characteristics of the Company, and in accordance with the guidelines issued by Confindustria (the Company's business association of reference), the Board of Directors instituted a Supervisory Board composed of three members, and specifically a labour consultant and two individuals with law degrees, inasmuch as this composition was believed to satisfy the requirements of autonomy, independence, professionalism and continuity of action in view of effective performance of the functions with which the Supervisory Board has been charged.

The foregoing documents are available from the Company's website, www.digitalbros.com, in the "Investors" section.

During the year ended 30 June 2015, the Supervisory Board conducted an analysis of sensitive activities and current management models in light of the gradual expansion of the scope of application of Legislative Decree 231/2001, and in particular in light of the update of the Confindustria "Guidelines for the construction of organisational, management and control models" and the introduction, in the context of company administrative liability statutes, of the offence of self-laundering (Art. 648-ter.1 of the Italian Penal Code) through Law 186/2014, "Provisions concerning the identification and repatriation of capital held abroad and the enhancement of the fight against tax evasion. Provisions concerning self-laundering." In the drafting process, the document was also expanded to reflect the introduction of Law 68/2015,

“Provisions concerning offences against the environment”, and Law 69/2015, “Provisions concerning offences against the public administration, mafia-type association and fraudulent accounting”. Specific check-lists have been prepared for the Supervisory Board to use to test and review the Company’s Model. In particular, during the year ended 30 June 2015, check-lists concerning the following special sections of the Model were prepared: 1) corporate offences, 2) market abuse, 3) cybercrimes, 4) offences against industry and copyright infringement and 5) workplace health and safety.

11.4 External auditors

Deloitte & Touche S.p.A. was appointed the external auditors by the ordinary Shareholders’ Meeting on 26 October 2012 for the financial years until the approval of the financial statements for the year ending 30 June 2021.

11.5 Financial reporting officer

On 7 August 2008, the Board of Directors, with a favourable opinion from the Board of Statutory Auditors, appointed Stefano Salbe as the financial reporting officer and granted him adequate powers and resources to perform the tasks assigned to him under the laws and regulations in force from time to time.

The financial reporting officer is an expert in administration, finance and control. The financial reporting officer performs the functions envisaged in Art. 154-*bis* of the Consolidated Law.

Art. 24 of the Articles of Association states that the Board of Directors grants the financial reporting officer adequate powers and resources to perform the tasks assigned to him under the laws and regulations in force from time to time.

The financial reporting officer must possess:

- a) long-term experience in administration, finance and control;
- b) the personal integrity requirements established by law for the office of director.

The financial reporting officer is subject to the provisions governing the liability of directors in respect of the duties assigned to them, without prejudice to suits that may be brought in respect of the employment relationship with the Company.

In particular, the Board of Directors has granted the financial reporting officer all of the necessary powers envisaged in Art. 154-*bis* of Legislative Decree 58 of 24/2/1998, as introduced by Art. 14 (1) (262), and including, but not limited to:

- a) the power to introduce adequate administrative and accounting procedures at the parent company and all Italian and international subsidiaries;
- b) the power to hire employees to assign to specific activities and determine their remuneration in accordance with the Group's policy, and the power to dismiss such employees;
- c) the power to confer and revoke assignments to Italian and international professionals for the performance of specific assignments and to establish the duration and remuneration of such assignments;
- d) the power to proceed with direct acquisition or finance leases of the products and software required to complete financial reporting and related procedures;
- e) all necessary powers, including spending powers, for the proper completion of the assignment conferred.

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

In accordance with Principle 7.P.3 of the Corporate Governance Code and in compliance with best practices for listed companies, the Company has established methods of coordination between the various bodies involved in the internal control and risk management system. In particular, periodic meetings are held in joint session between the various bodies charged with internal control and risk management (the Control and Risks Committee, Board of Statutory Auditors, and Supervisory Board) with the aim of identifying areas of intervention and analysis pertinent to each body and of determining, for each body, in a manner respectful of its powers, the different scope of review for the matters concerned, so as to avoid the overlapping of functions and/or duplications of activities and implement a unitary compliance system with the Company and Digital Bros Group. As described in detail above, it is also envisaged that: (i) the entire Board of Statutory Auditors, or at least its Chairman or another statutory auditor designated by the Chairman, normally attends meetings of the Control and Risks Committee. With at least annual frequency, the external auditors meet in joint session with the Control and Risks Committee, Board of Statutory Auditors and financial reporting officer with the aim, *inter alia*, of assessing the proper use of accounting policies and their consistency for the purposes of preparation of the consolidated financial statements.

12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

Transactions with related parties undertaken by Group companies are reserved for the examination and prior approval of the Board of Directors when such transactions are of strategic importance from the standpoint of financial performance or financial position. On 11 November 2010, the Board of Directors approved a new procedure for related-party transactions to reflect the amendments introduced by Consob resolution 17221 of 12 March 2010. The general criteria for identifying transactions with related parties of a significant nature were determined. The procedure is available from the Company's website, www.digitalbros.com, in the "Corporate Governance" section.

Related-party transactions are compliant with criteria of substantive and procedural propriety in accordance with applicable provisions of laws and regulations, as well as with the provisions of Article 9 of the Corporate Governance Code. The Board of Directors is responsible for identifying the criteria suited to identifying related-party transactions, taking account of the definitions laid down in international accounting principles and/or provided by supervisory authorities.

However, related-party transactions are subject to review and approval by the Board of Directors. In all cases of prior approval by the Board of Directors, the latter must be adequately informed, in advance, by the delegated bodies concerning the nature of the relationship, the conditions, and in particular those of an economic nature, methods and timeframe for concluding and executing the transaction, the evaluation procedure followed, the interest and reasons underlying that interest, in respect of the established strategic guidelines, any risks, current or prospective, for the Company and its subsidiaries, and any more general implications for the Company's activities.

In particular, in related-party transactions the directors who have an interest, including a potential or indirect interest, in the transaction must inform the other directors and the Board of Statutory Auditors of all interests that they have in the transaction concerned, on their own account or on account of third parties, in addition to specifying the nature, terms, origin and extent of such interests. Such disclosure may be provided by any means, including orally, during meetings of the Board of Directors, or by sending a written note to the Chairman of the Board of Statutory Auditors, with an obligation to make a report during the next meeting of the Board of Directors.

For the definition of "related parties", express reference is made to the parties termed such by the international accounting principle concerning financial reporting concerning related-party transactions, adopted according to the procedure laid down in Article 6 of Regulation (EC) No 1606/2002 (IAS 24).

The Board of Directors, when it identifies an element of correlation between one of the directors or with a related party through a director, requests, in a timely manner, all clarification concerning the existence of an interest, including a potential or indirect interest, and the related-party director with a direct or indirect interest leaves the meeting when it is time for the resolution by the Board of Directors.

The Board of Directors is required to assess the nature, value and other characteristics of the transaction, where it believes that it is necessary to do so to ensure that the transaction is undertaken at arm's-length conditions, and to prevent the transaction from being subject to conditions other than those that would likely have been agreed to between unrelated parties. The Board of Directors secures the assistance of an appropriate number of experts of acknowledged professionalism and expertise in the subject matters of interest, so as to obtain their opinions concerning the economic conditions, lawfulness and technical aspects of the transaction.

13. APPOINTMENT OF STATUTORY AUDITORS

Art. 25 of the Articles of Association states that regular members and substitute members of the Board of Statutory Auditors are to be elected by list-based voting procedure.

The Board of Statutory Auditors is composed of three standing auditors and two alternate auditors who remain in office for three financial years and may be re-elected. The following provisions apply to powers, remuneration and term of office.

The minority is entitled to elect one standing auditor and one alternate auditor.

The Board of Statutory Auditors is appointed in accordance with applicable gender balance provisions, on the basis of 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 standing auditor and the other for candidates for the office of alternate auditor.

Lists of candidates, signed by the shareholders submitting them, must be filed according to the terms and conditions of applicable legislation. Only shareholders who, separately or together with other shareholders, represent a percentage of shares with voting rights in the ordinary Shareholders' Meeting of no less than that envisaged in the provisions of laws or regulations in effect upon appointment are entitled to submit lists. This percent interest is determined with regard to the shares registered to the shareholder on the day on which the lists are submitted to the Company.

Certification attesting to ownership of such interests may also be produced following filing, provided that it is done by the deadline envisaged for the publication of the lists by the Company.

Each candidate may be presented on a single list on pain of ineligibility.

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

Lists containing a total number of candidates greater than or equal to three must be composed of candidates of both genders, so that each list includes a number (rounded up) of candidates for the office of

standing auditor and a number (rounded up) of candidates for the office of alternate auditor of the less-represented gender equal to at least the percentage indicated in applicable laws and regulations.

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

Statutory auditors are elected as follows, without prejudice to compliance with applicable laws and regulations concerning gender balance:

1. two standing auditors and one alternate auditor are drawn from the list that received the greatest number of votes in the Shareholders' Meeting, according to the sequential order in which they are listed in the section of the list;
2. one standing auditor and one alternate auditor are drawn from the list that received the second-greatest number of votes in the Shareholders' 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 received the second-greatest number of votes after the first becomes the Chairman of the Board of Statutory Auditors.

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

If a single list is submitted, the candidates for the offices of standing auditors and alternate auditors in that list will be elected, and the first candidate on the list will become the Chairman of the Board of Statutory Auditors, without prejudice to compliance with applicable gender balance provisions.

If a statutory auditor ceases to meet the requirements established by laws, regulations or the Articles of Association, he or she must leave office.

When a statutory auditor is replaced, the alternate auditor from the same list as the outgoing auditor takes his or her place. The foregoing is without prejudice to the fact that the minority statutory auditor will remain Chairman of the Board of Statutory Auditors, without prejudice to applicable gender balance provisions.

The foregoing provisions concerning the election of statutory auditors do not apply to Shareholders' Meetings that are to appoint standing 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, without prejudice to observance of the principle set forth in paragraph 3, and, in any event, without prejudice to compliance with applicable gender balance provisions.

If there is a tie between the votes for two or more lists, other than the list that received the greatest number of votes, the youngest candidates from the minority lists will be elected statutory auditors, until

the positions to be assigned have been filled, without prejudice to compliance with applicable gender balance provisions.

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

The statutory auditors must keep in the strictest confidence the documents and information they obtain in the course of their duties and must observe the procedure adopted for the external disclosure of documents and information regarding the Company.

In carrying out their duties, the statutory auditors may, individually or collectively, request information or clarification from the directors concerning the information submitted to them and, more generally, the course of company operations or certain transactions, as well as conduct inspections and controls at any time. The Board of Statutory Auditors and external auditors exchange the data and information relevant to the performance of their respective duties. The Board of Statutory Auditors must meet at least once every 90 days.

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

When circumstances so require, the statutory auditors must provide timely information concerning transactions in which they have an interest, personally or on account of third parties, in accordance with criterion 10.C of the Code.

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS **(pursuant to Art. 223-bis (2) (d) of the Consolidated Law)**

The Board of Statutory Auditors in office at the reporting date was appointed on the basis of the single list submitted by the Shareholders' Meeting on 28 October 2014, for a term of three financial years, set to end on the approval of the financial statements at and for the year ending 30 June 2017.

During the year ended 30 June 2015, the Board of Statutory Auditors met eight times, with an average duration of two hours and 30 minutes per session, with all members in attendance.

The Board of Statutory Auditors has scheduled seven meetings for the current financial year, one of which has already been held.

There have been changes in the composition of the Board of Statutory Auditors since the end of the financial year, and specifically: from 1 July 2014 to 28 October 2014 the Board of Statutory Auditors was composed of Sergio Amendola, Franco Gaslini and Paolo Villa.

Since 28 October 2014, it has been composed of Sergio Amendola, Laura Guazzoni and Paolo Villa.

For information concerning the composition of the Board of Statutory Auditors and each member's participation, refer to the summary tables.

The following are brief biographic notes concerning the members of the Board of Statutory Auditors:

Sergio Amendola (born in Naples on 21 August 1964), a chartered accountant registered in the Roll of Chartered Accountants and Accounting Experts of Milan since 27 March 1990 and also registered in the Roll of Auditors. A member of the General Technical Committee of Assirevi and a partner of the auditing firm BDO S.p.A.

Paolo Villa (born in Bergamo on 29 January 1965), a chartered accountant registered in Section A Accountants of the Roll of Chartered Accountants and Accounting Experts of Bergamo at no. 925/A since 21 July 1993. An auditor.

Major assignments: Kelly Services S.p.A. (standing auditor), Fine Food Ntm S.p.A. (standing auditor), Eisai S.r.l. (standing auditor), 505 Games S.r.l. (standing auditor), and Bomi Italia S.p.A. (Chairman of the Board of Statutory Auditors).

Laura Guazzoni (born in Milan in 1965), holder of an undergraduate degree in Business Economics awarded by Università Commerciale L. Bocconi of Milan in 1989.

Since 1994 she has been a lecturer in Business Economics and Business Administration at Università L. Bocconi of Milan.

She has been registered in the Roll of Chartered Accountants of Milan since 1991, in the Roll of Auditors since 1996, and since 1997 in the Roll of Consultants of the Court of Milan, with which she collaborates as expert witness on financial, company valuation and administrative and accounting matters.

She works as an independent consultant on matters of economics and business administration (direction, management and control), company finance and securities markets, company valuation, restructuring and corporate governance.

A statutory auditor and independent director at listed companies, she also serves on supervisory boards pursuant to Legislative Decree 231/2001.

Amongst her other positions, she serves as independent director at Reno de Medici S.p.A. and Retelit S.p.A., and as standing auditor at the following companies: il Sole 24ore S.p.A., Gas Plus S.p.A., AgustaWestland S.p.A. (Chairman of the Board of Statutory Auditors), Simest S.p.A., Centro Bio-Medico CBM S.p.a., Termica Milazzo S.p.A., and several companies controlled by the Clessidra Capital Partner Fund.

Substitute Auditors

Emanuela Maria Conti (born in Milan on 8 May 1966)

Holder of an undergraduate degree in Economics and Commerce from Università Cattolica del Sacro Cuore of Milan.

Registered in the Roll of Chartered Accountants and Accounting Experts of Milan and in the Roll of Auditors.

Simone Luigi Dalledonne (born in Cremona on 24 October 1978)

Holder of an undergraduate degree in Economics and Commerce from Università Cattolica del Sacro Cuore of Milan.

Registered in the Roll of Chartered Accountants and Accounting Experts of Milan and in the Roll of Auditors.

Partner in the firm CPAssociati.

On 4 December 2014, the Board of Statutory Auditors verified that its members continued to meet independence requirements. In conducting this verification, it adopted the criteria established in the Code. The examination showed that standing auditor Paolo Villa does not meet the presumptive independence criterion, inasmuch as he has been a standing auditor of Digital Bros S.p.A. for more than nine of the past twelve years. However, since this requirement is not binding, the Board of Statutory Auditors unanimously decided that all of its members are independent of the Company.

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

The Board of Statutory Auditors supervised the independence of the external auditors and in particular the services rendered to the Group in addition to auditing.

In carrying out its duties, the Board of Statutory Auditors coordinated with the Control and Risks Committee, attending all meetings held by such Committee during the year, and with the internal control officer and the director in charge of the internal control and risk management system.

15. SHAREHOLDER RELATIONS

Digital Bros S.p.A. has adopted a communication policy aimed at establishing constant dialogue with institutional investors, shareholders and the market, and at ensuring the regular dissemination of full, accurate and timely information concerning its activities, with the sole limit of the need for confidentiality applicable to certain information. Digital Bros S.p.A. strives to maintain constant dialogue with the market in accordance with laws and regulations governing the circulation of privileged information.

Relations with investors and other shareholders are managed by the investor relation manager, Stefano Salbe, who is also charged with the function of designated liaison for requests for information pursuant to the Borsa Italiana Regulation. The Board of Directors has determined that the current structure is suited to the purpose.

Dissemination of information in investor relations is also ensured by making the most important company documentation available, in a timely, ongoing manner, on the Company's website, (www.digitalbros.com). In particular, all press releases issued to the market and the Company's periodic accounting documentation are available from the Company's website, as soon as they are approved by the competent company bodies, in addition to other company documentation, such as:

- the separate and consolidated financial statements;
- interim financial reports;
- interim management statements;
- the company events calendar;
- corporate governance reports;
- the Articles of Association; and
- the rules and procedures of the Shareholders' Meeting.

Such documentation may be consulted in the "*Investors*" section, is readily identifiable and accessible, and is available in both the Italian and English languages.

16. SHAREHOLDERS' MEETINGS (pursuant to Art. 123-bis (2) (c) of the Consolidated Law)

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

In ordinary and extraordinary session, the Shareholders' Meeting is duly constituted and passes resolutions with the majorities established by law.

As provided for in Art. 10 of the Articles of Association, the Shareholders' Meeting is convened according to the terms and conditions established in applicable regulations. The notice of meeting must contain an indication of the date, time and place of the meeting and a list of the subject matter to be discussed, along with all additional information required by applicable provisions of laws and regulations.

Pursuant to Art. 11 of the Articles of Association, vote-holders authorised by notice submitted to the Company by an authorised intermediary may participate in the Shareholders' Meeting in accordance with the law. Such notice must be delivered to the Company in accordance with applicable legislation at least three days prior to the Shareholders' Meeting in first call, or by the different term established by applicable provisions of law. Standing to attend and vote remains valid if the notice is delivered to the Company after the above deadline, but before the commencement of the Shareholders' Meeting.

Pursuant to Art. 12 of the Articles of Association, all shareholders entitled to take part in the Shareholders' Meeting may be represented by written proxy in accordance with the law. Proxies may also be submitted to the Company by electronic mail according to the conditions 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 establishing standing to take part in the Shareholders' Meeting more generally. The duly constituted Shareholders' Meeting represents all shareholders, and its resolutions, passed in accordance with the law and these Articles of Association, are binding on all shareholders, even absent and dissenting shareholders.

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

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors. If he or she is absent, unable or unwilling to attend, the Shareholders' Meeting is chaired by the Deputy Chairman or a managing director, or by any other director designated by the Board of Directors, where appointed; if such persons are also absent, the Shareholders' Meeting is chaired by a person, not required to be a shareholder, appointed by the Shareholders' Meeting. Resolutions of the Shareholders' Meeting must be

witnessed by minutes signed by the Chairman and secretary.

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

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

During the year ended 30 June 2015, a single Shareholders' Meeting was held, on 28 October 2014, in ordinary session.

The Board of Directors reported to the Shareholders' Meeting concerning planned and past activity and strove to ensure that the shareholders were adequately informed of the necessary elements for them to be able to make decisions within the purview of the Shareholders' Meeting in an informed manner.

No members of the Remuneration Committee reported to the Shareholders' Meeting concerning the methods of exercise of that Committee's functions.

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

17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis (2) (a) of the Consolidated Law)

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

18. CHANGES SINCE THE END OF THE REPORTING YEAR

The Issuer's governance structure has not changed since the end of the year concluded on 30 June 2015.

19. 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 1: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES

Board of Directors											Control and Risks Committee			Rem. Committee				
Office	Members	Year of birth	Date first appointed	In office since	In office until	List (M/m) *	Exec.	Non-exec.	Indep. per the Code	Indep. per Cons. LAW	(%) **	No. of other positions ***	***	**	***	**		
Director	Floean Lidia	1951	2014	28/10/2014	Approval of 2017 fin. st.	M		X			100	0						
Chairman and Managing director	Galante Abramo	1963	1991	28/10/2014	Approval of 2017 fin. st.	M	X				100	0						
Director	Galante Davide	1933	1991	28/10/2014	Approval of 2017 fin. st.	M		X			71	0						
Managing director	Galante Raffaele	1965	1991	28/10/2014	Approval of 2017 fin. st.	M	X				100	0						
Director	Guetta Guido	1969	2009	28/10/2014	Approval of 2017 fin. st.	M		X	X		71	0	X	100	X	100		
Director	Morini Elena	1980	2014	28/10/2014	Approval of 2017 fin. st.	M		X	X		100	0	X	100	X	100		
Director	Salbe Stefano	1965	2005	28/10/2014	Approval of 2017 fin. st.	M	X				86	0						
Director	Sorcesina Bruno	1944	2000	28/10/2014	Approval of 2017 fin. st.	M		X	X		71	0	X	100	X	100		
Director	Treves Dario	1968	2000	28/10/2014	Approval of 2017 fin. st.	M		X			86	0						
DIRECTORS WHO LEFT OFFICE DURING THE REPORTING YEAR																		
Director	Schaumann Dani	1955	2011	27/10/2011	28/10/2014	M		X	X	X	100	0	X	100	X	100		
Indicate the quorum for submitting lists for most recent appointment: 4.5%							BoD: 7							Internal Control Committee: 4			Remuneration Committee: 4	
No. of meetings held during the reporting year:																		

NOTES

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

** This column indicates the percent participation of the Directors in meetings of the Board of Directors and committees (no. of attendances/no. of meetings held during the effective period of office of the person concerned).

*** This column indicates the number of positions of director or statutory auditor filled by the person concerned at other companies listed on regulated markets in Italy or internationally, at finance, banking or insurance companies, or companies of significant size. Appended to the Report is a list of such companies, with regard to each Director, with clarification whether the company at which the position is filled belongs to the same group as the Issuer.

**** When marked with an "X", this column indicates that the member of the Board of Directors participates in the committee.

TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors									
Office	Members	Year of birth	Date first appointed	In office since	In office until	List (M/m) *	Indep. per the Code	(%) **	No. of other positions ***
Chairman	Amendola Sergio	1964	2011	28/10/2014	Approval of 2017 fin. st.	M	YES	100	1
Standing auditor	Guazzoni Laura	1965	2014	28/10/2014	Approval of 2017 fin. st.	M	YES	100	4
Standing auditor	Villa Paolo	1965	2002	28/10/2014	Approval of 2017 fin. st.	M	YES	100	0
Alternate auditor	Emanuela Maria Conti	1966	2014	28/10/2014	Approval of 2017 fin. st.	M	YES	0	0
Alternate auditor	Simone Luigi Dalledonne	1978	2014	28/10/2014	Approval of 2017 fin. st.	M	YES	0	0
-----AUDITORS WHO LEFT OFFICE DURING THE REPORTING YEAR-----									
Alternate auditor	Garzia Carlo	1969	2011	27/10/2011	28/10/2014	M	YES	0	0
Standing auditor	Gaslini Franco	1953	2000	27/10/2011	28/10/2014	M	YES	100	0
Alternate auditor	Muscato Enrico	1962	2005	27/10/2011	28/10/2014	M	YES	0	0
Indicate the quorum for submitting lists for most recent appointment: 4.5%									
No. of meetings held during the reporting year: 8									

NOTES

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

** This column indicates the percent participation of statutory auditors in meetings of the Board of Statutory Auditors (no. of attendances/no. of meetings held during the effective period of office of the party concerned).

*** This column indicates the number of positions of director or statutory auditor filled by the person concerned observed in accordance with Art. 148-bis of the Consolidated Law.

