Remuneration policy

Pursuant to Art.123-*ter* of the Italian Legislative Decree no.58 of February 24th, 1998, and of Legislative Decree no.49 of May 10th, 2019, implementing Directive (EU) 2017/828, and in accordance with the provisions of art. 84-*quater* and Annex 3, Scheme 7-*bis* of the Issuers' Regulation adopted with CONSOB resolution no. 11971/1999 and subsequent amendments (including Consob Resolution no. 21623/2020) ("**Issuers' Regulation**"), as well as the Corporate Governance Code for listed companies (January 2020 version).

Approved on June 15th, 2021

Digital Bros S.p.A.

Via Tortona, 37 – 20144 Milan, Italy

VAT No. and tax code 09554160151

Share capital: Euro 5.704.334,80 subscribed

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

REMUNERATION POLICY

Premises

The remuneration policy (hereinafter "**Remuneration Policy**") aims for an ever-increasing adherence to the recommendations of the Corporate Governance Committee regarding clarity and completeness of remuneration policies, pay-mix between fixed and variable items, the introduction of claw-back clauses and, in general, the definition of a better connection between variable remuneration and long-term objectives. The Remuneration Policy also considers the provisions of Article 2.2.3 of the Rules of the Markets organized and managed by Borsa Italiana S.p.A. and the related Instructions for STAR issuers.

The Company maintaining the provisions of the previously approved remuneration policy, has identified in the four Executive Directors the professional figures who have the power and responsibility for the management, the planning and the control of all the Group's activities. The long experience that the management has in the industry and the progressive digitalization of the market allow to centrally manage the decision-making processes, the planning and control of the Group without precluding the effectiveness and efficiency of the processes and the growth and sustainability of its activities.

The Remuneration Policy describes the policies regarding the remuneration of Executive Directors, Non-executive Directors and managerial figures. The latter, while not considered as Managers with strategic responsibilities, pursuant to art. 65, co. 1-quater, Issuers' Regulation and paragraph 2 of Annex 1 of Consob regulation no. 17221 of March 12th, 2010 and its subsequent amendments containing provisions on transactions with related parties, play an important role within the organization and can significantly contribute to the sustainable growth of the Group (hereinafter "**Professional Figures**").

The approval of the Remuneration Policy by the Shareholders' Meeting enables the Company from avoiding the application of the Transaction with Related Parties Procedure to resolutions concerning the remuneration of Directors when:

- the remuneration policy approved by the Shareholders' Meeting has been adopted;
- a committee exclusively consisting of non-executive directors, the majority of which independent, was involved in the definition of the remuneration policy;
- the remuneration has been identified in compliance with this policy and quantified on the basis of non-discretionary criteria.

The Transaction with Related Parties Procedure does not apply to the Shareholders' Meeting resolutions relating to the remuneration of the Board of Directors' members, pursuant to Article 2389, paragraph 1, of the Italian Civil Code, nor to the resolutions concerning the remuneration of Directors with special offices falling within the total amount previously determined by the Shareholders' Meeting pursuant to article 2389, paragraph 3, second comma, of the Italian Civil Code.

1. **Bodies involved in the preparation, approval and review of the Remuneration Policy**

The corporate bodies involved in the preparation, approval and review of the Remuneration Policy are the Board of Directors, the Remuneration Committee, the Shareholders' Meeting and the Board of Statutory Auditors.

Board of Directors

The Board of Directors about the remuneration:

- establishes an internal Remuneration Committee;
- establishes the remuneration for Directors with special offices based on proposals suggested by the Remuneration Committee, having heard the Board of Statutory Auditors, and possibly as part of the overall remuneration determined by the Shareholders' Meeting pursuant to article 2389, paragraph 3, of the Italian Civil Code;
- defines and reviews the Remuneration Policy based on proposals formulated by the Remuneration Committee;
- prepares the Remuneration Report, pursuant to articles 123-ter of the TUF and 84-quater of the Issuers' Regulation, submits it to the approval of the Shareholders' Meeting pursuant to article 123-ter, paragraph 3-bis, of the TUF and is responsible for its implementation;
- designs and implements incentive schemes based on stocks or other financial instruments for Directors, employees and collaborators, including key managers, and submits them for the Shareholders' approval in the General Meeting in accordance with article 114-bis of the TUF.

Remuneration Committee

The Remuneration Committee is established by the Board of Directors as suggested by the Corporate Governance Code and consists entirely of non-executive and independent directors. The Remuneration Committee:

a) assists the Board of Directors in the preparation of the remuneration policy;
b) submits proposals to the Board of Directors regarding the remuneration of the Executive Directors and the Directors with special offices, as well as setting performance objectives related to the variable component of such remuneration;
c) monitors the actual implementation of the remuneration policy and verify the actual achievement of the performance objectives;
d) periodically assesses the adequacy and overall consistency of the remuneration policy for Directors and top management.

Shareholders' Meeting

The Shareholders' Meeting on remuneration:

- defines the Board of Directors and the Board of Statutory Auditors remuneration in accordance with Article 2364, paragraph 1, no 3 of the Italian Civil Code;
- expresses a binding vote on the First Section of the Report on the policy regarding remuneration and fees paid (hereinafter "**Remuneration Report**") prepared by the Board of Directors and on any changes to the policy;
- expresses a non-binding vote on the Second Section of the Remuneration Report;
- resolves on any share-based incentive scheme or any financial instrument-based remuneration plan proposed for directors, employees and collaborators, including managers holding strategic responsibilities, in accordance with article 114-bis of the TUF. Should the Shareholders' Meeting not approve the remuneration policy, the Company will be required to pay the remuneration in accordance with the previously approved remuneration policy or, failing that, in accordance with current practices. At the immediately following Shareholders' Meeting, a new remuneration policy must be submitted to the vote.

Board of Statutory Auditors

The Board of Statutory Auditors expresses an opinion on the proposed remuneration for Directors and Directors with special offices, pursuant to Article 2389, paragraph 3, of the Italian Civil Code, verifying the compliance with the Remuneration Policy.

2. Remuneration Committee

The Company has established the competent Remuneration Committee within its Board of Directors. The Remuneration Committee was established, in its current composition, by resolution of the Board of Directors on October 28th, 2020. The Committee is currently composed exclusively by three independent directors:

- Sylvia Bartyan
- Susanna Pedretti (Chairman)
- Laura Soifer.

Due to her experience in financial matters and remuneration policies, the Board of Directors appointed Susanna Pedretti as the Chairman of the Remuneration Committee.

The meetings of the Remuneration Committee are held in a collective form and are regularly minuted. The Committee meets whenever the Chairman deems it necessary, with the required frequency according to the tasks assigned to the Committee, or when a reasoned request is made by a member.

The Committee meets validly with the presence of the majority of its members and resolutions are passed by a majority of those present, abstentions excluded. Representatives of corporate functions, independent experts and /or other persons whose participation is deemed useful may also attend the meetings of the Committee. For the performance of its duties, the Committee makes use of the Company resources and structures, without prejudice to the possibility of using independent experts if deemed appropriate by the Committee itself.

In order to avoid or manage potential conflicts of interest, no Director takes part in the meetings of the Remuneration Committee during which the proposals to the Board of Directors relating to his own remuneration are formulated. Furthermore, the Directors abstain from voting on the resolutions of the Board of Directors concerning their own remuneration.

3. Independent experts who took part in the preparation of the Remuneration Policy

The Company did not make use of independent experts for the preparation of the Remuneration Policy. The Company consulted qualified independent experts (Carter & Benson S.r.l.) in order to take advantage of benchmark and comparison tools.

4. Principles and purposes of the Remuneration Policy

The remuneration of Directors and Professional Figures is defined to ensure a remuneration structure that considers the professional value of each individual and that balances fixed and variable components, in order to create a sustainable value in the medium- and long-term perspective, as well as the Group's sustainability.

The Remuneration Policy seeks to enhance personnel motivation and their will to undertake responsibilities for performance excellence, granting that the fixed component and the variable component are adequately balanced and defining a balance between short-term and medium/long-term objectives in order to align Executive Directors' and Professional Figures' interests with value creation, shareholders' primary objective in a medium/long-term perspective and the Group's activities sustainability.

The Remuneration Policy takes into account the following guidelines:

- the fixed component shall be sufficient to remunerate Directors for their services in the event that the variable component is not paid due to failure to meet the performance objectives set;
- the short-term variable component is mainly measured according to profitability objectives for the year: it provides for a cap, a claw-back and withholding clause (malus) as recommended by the Corporate Governance Code;
- the medium / long-term variable component is related to the growth of the Company profitability compared to the operating margins / EBIT achieved in the previous period so as not to be influenced by the financial structure and / or the distribution of dividends. The long-term variable component does not have a cap in absolute values but is in any case determined as a percentage of the Group's operating profit for the period. Claw-back and malus clauses are envisaged, as required by the Corporate Governance Code;
- the existence of a previously approved Stock Option plan.

The quality of performance objectives are:

- prioritary, as they are directly connected to the Company's medium/long-term strategy;
- specific, as they are clear and concrete in terms of the expected results;
- measurable, as they are defined using clear and predefined indicators;

- realistic, as they shall be achievable, albeit challenging and ambitious;
- temporarily defined.

The Remuneration Policy aims for an ever-increasing adherence to the recommendations of the Corporate Governance Committee regarding clarity and completeness of remuneration policies, pay-mix between fixed and variable items, the introduction of claw-back clauses and, in general, the definition of a better connection between variable remuneration and long-term objectives.

The Group believes in the growth and enhancement of people, as an indispensable element to compete on the market and pursue the objectives of sustainable success. Career opportunities are offered to all employees on the basis of merit, professional and managerial skills and active participation in the Company development and improvement processes.

The main changes introduced compared to the remuneration policy approved by the last Shareholders' Meeting on October 22nd, 2020, also in perspective of full compliance with the recommendations of the Corporate Governance Code and the Corporate Governance Committee, relate to the following:

- introduction of a medium / long-term objective ("**LTI Objective**"), to increase the level of involvement of Executive Directors and Professional Figures towards medium / long-term objectives with a view to creating value for shareholders as well as sustainability of the activities carried out by the Group as in the strategic plan. This LTI Objective aims to increase the Company's retention that is consistent with the growth and sustainability objectives that the Group has in the strategic plan; and
- elimination of the Board of Directors' possibility to assign extraordinary one-off bonuses.

During the last Shareholders' Meeting, the shareholders did not express any evaluations to be taken into account in the definition of the above.

The Remuneration Policy describes the policies regarding the remuneration of Executive Directors, Non-executive Directors, and also of Professional Figures.

The Remuneration Policy is valid until the expiry of the current mandate of the Board of Directors, and therefore until the approval of the financial statements at June 30th, 2023.

5. Remuneration policy application

The Remuneration Policy is structured according to different principles and methods regarding the fixed components and the short and medium-long term variable components in relation to the different types of recipients.

The Remuneration Policy was defined using the best practices on the market as a reference without, however, using the remuneration policy of other companies as a specific reference.

Executive Directors and Professional Figures

The total remuneration for Executive Directors is defined in line with market benchmarks and other factors including their contribution to Company's results, their working performance and a right balance with internal remuneration levels considering the Group's actual and prospective size, always with a view to pursuing sustainable success.

The overall remuneration of the Executive Directors as well as the pay mix assessment was subjected to benchmarking analysis by the Remuneration Committee supported by independent external consultants.

The remuneration of Executive Directors holding specific offices is as follows:

- a fixed component consistent with management powers and special positions assigned;
- a short-term variable component, defined within the fixed component pre-established limits and designed to reward expected short-term results (MBO);
- a medium / long-term variable component related to the growth of operating margins / EBIT compared to the margins achieved in the previous year;
- a stock option plan;
- other components.

Executive Directors holding professional or executive positions within the Issuer, beside the fixed component determined by the Shareholders' Meeting, are rewarded with a variable remuneration decided by the Board considering the following criteria and taken into consideration for the purposes of the pay-mix analysis that follows.

Fixed remuneration

The fixed component of remuneration for Directors holding specific offices is defined by the Board of Directors, based on proposals formulated by the Remuneration Committee having heard the Statutory Auditors, in accordance to art. 2389, par. III of the Civil Code.

The fixed component is consistent with the level of management powers, special positions and strategic responsibility assigned to each director. Its extent is sufficient to remunerate the performance even in the event of failure to achieve the performance objectives that affect the payment of variable remuneration and this, among other things, in order to discourage the assumption of behaviors that are inconsistent with the propensity to business risk.

Short-term variable remuneration (MBO)

The variable component of the remuneration for Directors holding specific offices is defined by the Board of Directors, based on proposals formulated by the Remuneration Committee having heard the Statutory Auditors.

This component pursues the objective of encouraging management to work towards the achievement of annual objectives in order to maximize the value of the Company, in line with the shareholders' interests and in compliance with the Group's long-term strategic plans.

The short-term variable component (MBO) is designed to reward upon the achievement of pre-determined annual quantitative results linked to some performance indexes at Group consolidated level. The variable component is paid upon the approval by the Board of Directors of the draft financial statements for the fiscal year, after the Remuneration Committee has assessed the achievement of the performance objectives. Objectives are based on budget data and are exclusively quantitative, using unbiased indicators and available performance indicators, in order to reduce the risk of biased valuation and to guarantee an adequate consideration of all management aspects. Following the introduction of the medium-long term objective based on the growth of operating profitability, starting next year it becomes crucial that a significant component of the MBO objective is based on qualitative objectives that can be determined on an annual basis.

The mechanisms for the calculation of annual MBO requires the achievement of the 100% of the quantitative objectives assigned and the total payment of the annual payable remuneration. The variable component shall not exceed 30% of the fixed component as director for the Chief Executive Officers and shall not exceed 30% of the annual gross salary and the non-competition agreement for Executive Directors with an executive and/or professional contractual role.

For the Professionals Figures, the MBO percentage varies between a minimum of 10% and a maximum of 30% of the respective annual gross salary. The structure of the MBO for Professionals is as follows:

Bonus percentage	Group’s objective	Divisional objective	Personal objective
10%			10%
20%		10%	10%
30%	10%	10%	10%

The MBO:

- awards the Group’s revenue growth on which the operating margins / EBIT objective depends;
- communicates sense of belongings and teamwork;
- grants personal presidium and individual accountability.

Claw-back and malus mechanisms have been envisaged such that the Company can request the full return of the variable component as a result of data that have been found to be manifestly incorrect.

Medium / long term variable remuneration (LTI)

This Remuneration Policy provides for the introduction of an LTI objective in addition to the other remuneration mechanisms previously provided for. At the time of approval of this Remuneration Policy, the Group is going through a period of growth and considers it strategically important to maintain it over time, to the extent that it can efficiently deal with competitors on an international scale, in the constant pursuit of sustainable success objectives. For these reasons, the Group intends to maintain the self-financing level that has characterized the last decade to increase the number and the quality of intellectual properties held. In this context, it is crucial to be able to count on a stable management structure over time, also in light of the fact that the editorial choices that the Group launches today will only be effective after a few years.

The introduction of a medium-long term variable remuneration has been envisaged for the four Executive Directors and for some Professional Figures. The plan is divided into three periods:

- 2021 – 2022 two-year period
- 2023 – 2024 two-year period
- 2025 – 2027 three-year period.

For each period, a monetary equivalent percentage will be paid to all Executive Directors and Professional Figures with respect to the operating income realized in the period on the portion exceeding Euro 35 million for the first two periods and Euro 52.5 million for the last period (equivalent to an average operating income per year of Euro 17.5 million). The percentages to be applied to the operating income increase over time and go from 6% in the first period, to 9% in the second, to 12% in the last. This percentage shall be subject to individual subdivision according to predefined criteria. The total cost of the LTI bonuses cannot exceed 5% of the cumulative operating income realized in the respective periods.

This component is paid, subject to verification of the achievement of the performance objectives by the Remuneration Committee, within 45 days from the date of the Shareholders' Meeting approval of the financial statements for the previous year of each reference period, a deadline deemed appropriate with reference to the characteristics of the business and the related risk profiles.

The disbursement of the LTI Objective is bound to the Directors' permanence for a single period (except in the case of Good Leaver provided for by the incentive plan) and provides claw-back and malus clauses as required by the Corporate Governance Code adopted.

Pay mix

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

The activity was carried out to compare the remuneration levels of the four Executive Directors, both in terms of the evaluation of remuneration in absolute values and in terms of pay mix, with respect to a panel of comparable companies.

Considering that the LTI Objective does not have a maximum limit in absolute values, but only as a ratio between the total cost of the LTI Objective and the operating income achieved in the period, and that the percentage of the LTI Objective varies in the period under consideration, the resulting pay mix for the 2021-2022 period and for the 2023 period were assumed considering the complete disbursement of the MBO Objective and the disbursement of the LTI Objective based on a 20% and 50% increase in operating income compared to the basic figure of Euro 17.5 million. The possible scenarios are summarized as follows:

Consistent with the duration of the Remuneration Policy, the impact of each remuneration component of the Executive Directors in the Group's operating income various scenarios of growth was reported below.

Average 20% operating income growth scenario

2021-2022				
	Fixed	MBO	20% EBIT LTI	TOTAL
CEO	76%	20%	4%	100%
CFO	72%	21%	7%	100%
General Counsel	77%	15%	8%	100%

2023-2024				
	Fixed	MBO	20% EBIT LTI	TOTAL
CEO	74%	19%	6%	100%
CFO	70%	20%	10%	100%
General Counsel	75%	15%	11%	100%

Average 50% operating income growth scenario

2021-2022				
	Fixed	MBO	50% EBIT LTI	TOTAL
CEO	71%	18%	10%	100%
CFO	65%	19%	16%	100%
General Counsel	69%	14%	17%	100%

2023-2024				
	Fixed	MBO	50% EBIT LTI	TOTAL
CEO	68%	18%	15%	100%
CFO	60%	18%	22%	100%
General Counsel	64%	13%	23%	100%

<u>*Stock option plan*</u>

With reference to the incentive plans based on financial instruments to submit to the Shareholders' Meeting approval pursuant to art. 114-*bis* of the TUF and subject to specific market information in accordance to current provisions, detailed elements and application methods are defined by the Board of Directors with the advisory and proactive support of the Remuneration Committee considering the Company risk profile and in accordance to the following principles:

- consolidation of a sustainable value creation process for the Company and for the Group in a medium/long term perspective and management incentive and loyalty encouragement through definition of long-term duration and vesting periods;
- constraints to beneficiaries to leave the Company.

In defining and managing the incentive plans based on financial instruments, the Company used the assistance of an external primary Audit Firm in order to meet market standards for companies of similar size listed in the same regulated market segment.

Further information on the Stock Option Plan in place, pursuant art. 114-*bis* of the TUF, is provided in the Information Document pursuant art. 84-*bis* of the Consob Regulation no. 11971, May 14th, 1999 and published on the Company website, www.digitalbros.com, Corporate Governance section, in accordance to art. 123-*ter,* par. 5 of the TUF.

The existing stock option plan provides for a deferral in the accrual of the rights due to the Executive Directors and the Professional Figures (vesting period) which for each beneficiary is:

- 30% of the number of options starting July 1st, 2019
- 30% starting July 1st, 2022
- 40% starting July 1st, 2025.

The deadline for exercising the options is June 30th, 2026.

For the Executive Directors it is mandatory to hold 20% of the shares subscribed as a result of the exercise of the options, at least until the end of the mandate with respect to each of the vesting periods.

The Stock Option Plan provides for Bad Leaver clauses where the beneficiary will permanently lose the right to exercise the options not yet exercised, while in the case of Good Leaver the beneficiary will retain the right to exercise the options already vested.

In the event of death and / or permanent disability, the heirs and / or the beneficiary may request the exercise of all the options provided for the beneficiary even if they have not yet matured.

Other information

Additional performance objectives

No performance objectives that provide for the allocation of shares, options and / or other financial instruments have been set in addition to those previously described.

With the exception of the stock option plan, no further provision exists for the retention of financial instruments in the portfolio.

Extraordinary operations

In the event of extraordinary operations concerning the Group – such, as by way of example and not exhaustive, company acquisitions or disposals, activities dismission, mergers, divisions or demergers, transfers of business branches, operations on share capital, financial or equity operations – as well as in the event of legislative or regulatory changes capable of significantly affecting performance objectives, the Board of Directors, after consulting the Remuneration Committee, has the right to make, at its discretion, all the changes and additions necessary to maintain unchanged the economic contents of the plans underlying the short-term incentive systems referring to Executive Directors.

Non-monetary benefits

Non-monetary benefits provided by the Trade and Tertiary C.C.N.L. (National Collective Labor Contract) for executives are paid to Executive Directors and include welfare, assistance and insurance benefits. Non-monetary benefits also comprise the use of a car that can also be used for private purpose.

Policy in case of resignation or termination of employment

The Company did not provide for agreements ruling *ex-ante* the economic aspects in case of early resignation from the position of Directors or termination of employment or if the relationship is terminated due to a tender offer, with the exception of the notice periods provided for by the Trade and Tertiary C.C.N.L. for executives.

There are no plans to allocate or maintain non-monetary benefits or to conclude consultancy contracts for a period after the termination of the relationship.

The effects of the termination of the existing relationship with a Director are described in the descriptive paragraphs of the individual components as they differ from each other.

Non-Executive Directors

Non-executive Directors are directors with no individual management powers nor management positions in the Company or in other Group's subsidiaries. The remuneration of Non-executive Directors is determined as a fixed compensation and it is proportional to the expertise, professionalism and commitment required, in relation also to their participation into the Board of Directors' committees, and the role of Chairman and / or as a member of the internal council committee.

The remuneration of such directors is not linked to economic results nor to specific objectives of the Company and such directors do not benefit from remuneration plans based on stocks.
The remuneration of non-executive directors is subjected to benchmarking analysis on a recurring basis by the Remuneration Committee.

Insurance coverage

In line with best practices, an insurance policy called D&O (Directors & Officers) was stipulated against third party liability of the corporate bodies in the exercise of their functions, aimed at indemnifying the Group from the costs deriving from any compensation, with the exclusion of cases of willful misconduct and gross negligence.

There are no further insurance, social security and / or pension coverage other than the mandatory ones.

Exceptions to the Remuneration Policy

No exceptions to the Remuneration Policy are allowed.