



**REPLY
CONSOLIDATED
DISCLOSURE
OF NON-FINANCIAL
INFORMATION
2018**

Reply S.p.A.

**CONSOLIDATED DISCLOSURE
OF NON-FINANCIAL
INFORMATION**

in accordance with Decree
254/2016

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FOREWORD

Directive 2014/95/EU (hereinafter also “Directive”) of the European Parliament and the Council, regarding the disclosure of non-financial and diversity information by certain large undertakings and groups, entered into force on 6 December 2014. The Directive demonstrates the commitment of the EU legislator to contribute to a transition towards a global sustainable economy, which combines long-term profitability, social justice and environmental protection, promoting the valuing of companies that implement transparent management policies aimed at obtaining better performances also in the non-financial area.

In the Italian legislation, the Directive was enacted as **Legislative Decree no. 254** of 30 December 2016 (hereinafter the “Decree”), which requires large-scale public interest entities to publish a Consolidated Disclosure of Non-Financial Information (NFI), covering to the extent necessary for comprehension of corporate activities, performance, results, and impact it produces, information relating to five fundamental areas, namely: environment, personnel, human rights, social, anti-corruption and bribery. The Decree, with reference to these areas, requires the description of the main risks, generated and suffered, of the policies practiced by the company, the related performance indicators and the management and organization model (Leg. Decree 254/16 and subsequent amendments, Art. 3 c. 1).

The Reply Group (hereinafter also the “Group” or “Reply”), as a public interest large undertaking, is subject to the aforementioned Decree for the 2018 reporting year. This NFI was prepared to fulfill the requirements of the aforementioned Decree regarding the non-financial information disclosure.

NFI 2018 Reading Guide

Compliant with the requirements of the Decree, this NFI includes a qualitative and quantitative description of non-financial corporate performance with regard to the five areas specified by the Decree, analysed in three sections in the document, and namely: “**Corporate values and ethical principles**” referred to social aspects, respect for human rights and the fight against corruption; “**Research and development of talent**” referred to working practices and staff management; “**Respect for the environment**” referred to environmental impact.

Each chapter includes the following information:

- a brief description of the reasons underlying the importance attributed to each non-financial aspect, whose analysis process is described in more detail in Methodology;
- a brief description of the policies adopted by the company in relation to the topic of reference;
- a description of the management and organization model adopted by the Group for management of important issues;
- a description of important performance indicators to understand the results achieved by application of the aforementioned policies.

Furthermore, with reference to the five areas covered by the Decree, the **main risks** generated and/or experienced are reported when deriving from corporate activities, products and services, and business relationships, including supply chain (**Main non-financial risks and uncertainties to which Reply S.p.A. and the Group are exposed**).

LETTER TO STAKEHOLDERS

Dear readers,

At a time in history of profound and rapid change, conditioned by the ongoing digital revolution and global challenges that require our full attention and commitment, companies are playing an increasingly important role in the different and diversified changes. To guarantee long-term business continuity, it is now necessary to question the ways in which we may interact positively with the system, not only from an economic, but also from a social and environmental perspective, creating value for all the company's stakeholders.

In this context, Reply is typically geared towards technological innovation and a flexible structure that can anticipate market developments and pursue new technological drivers. Furthermore, in the last two years, with the publication of the Consolidated Disclosure of Non-Financial Information pursuant to Legislative Decree 254/2016 (in its second edition in 2018), the Group has begun a process of sharing its sustainability performance, pledging to understand the social and environmental aspects most relevant to the company and its stakeholders.

In this regard, the company's activities have always been based on the ethical principles of **legality, honesty, transparency, impartiality** and **respect**, which are the underpinning of its corporate culture and part of the **Group's Code of Ethics**, for the benefit of shareholders, employees, contractors, suppliers, customers, and business partners. The Group undertakes to promote and apply these values when providing its services to customers, acting as a reliable partner and establishing

relationships based on trust. System security and data protection are fundamental requirements for the Group and in recent years it has focused its efforts on defining in-house tools to ensure compliance with the relevant regulations in force (e.g. EU European Regulation 2016/679) and the highest standards of service.

In addition, the Group, which had over 7,500 employees in 2018, considers the advancement and growth of workers ("Replyers") to be of priority importance, as it does the promotion of a collaborative and stimulating workplace in which equal opportunities are guaranteed for all. To achieve this goal, over the years Reply has activated a series of initiatives and projects aimed at maximizing the potential and talent of Replyers, and creating a network of professionals eager to imagine, experiment and study new solutions.

Finally, although Reply is a service company with reduced environmental impact, it is committed to managing its business ensuring respect for the environment, considering the importance that this issue has on a global level. In particular, the Group has implemented a **Greenhouse Gas Emission Control Program** in accordance with the provisions of the Carbon Disclosure Project (CDP), an independent global organization that monitors the commitment of companies to mitigate climate change.

Daniele Angelucci
CFO Reply S.p.A.

REPLY

Reply is a group that specialises in consulting, system integration and digital services with a focus on the conception, design and development of solutions based on the new communication channels and digital media. Composed of a network of companies, Reply partners with key sectors to define business models. This is made possible by the new technological and communication fields such as artificial intelligence, big data, cloud computing, digital communication and the Internet of Things.

Reply is characterised by:

- a **culture** focused on technological innovation;
- a flexible **structure** that is able to anticipate market developments and interpret new technological drivers;
- a delivery **method** of proven success and scalability;
- a **network** of companies that specialise in specific areas of expertise;
- **teams** composed of specialists, recruited from the best universities;
- a highly experienced **management** team;
- continuous **investment** in research and development; and
- long-term **relationships** with its clients.

THE ORGANISATIONAL MODEL

With over 7,600⁽¹⁾ employees (as of 31 December 2018), Reply operates via a network of companies that specialise in processes, applications and technologies, each centres of excellence in their respective fields of expertise.

- **Processes** – for Reply, the understanding and use of technology involves the introduction of a new enabling factor for business processes, based on an in-depth knowledge of both the market and the specific industrial contexts of implementation.
- **Applications** – Reply designs and implements software solutions to satisfy organisations' core business requirements.
- **Technologies** – Reply optimises the use of innovative technologies, implementing solutions capable of ensuring maximum efficiency and operational flexibility for its customers. Reply's services include:
 - **Consulting** – with a focus on strategy, communication, design, processes and technology.
 - **System Integration** – exploiting the potential of technology by combining business consulting with innovative technological solutions and high added value.
 - **Digital Services** – innovative services based on new communication channels and digital trends.

(1) Data also includes companies:
Comsysto D.O.O.,
First Development Hub LLC,
Reply GmbH,
TD China

MARKET FOCUS

In every market segment in which it operates, Reply combines specific sector expertise with broad experience in the provision of services and a wealth of advanced technological capabilities.

TELCO & MEDIA

In a world that is continuously evolving towards convergence between the physical and the virtual, the types of relationships companies have with their customers are drastically changing. The digitalisation of services and of interactions impose new challenges on telco and media companies in terms of supply, business models and operating processes, often leading to increasingly competitive scenarios. Against this backdrop, Reply works with leading operators in the sector to define and implement digital transformation strategies. These are based on the renewal of systems that support products and services and to support the development of new service models that are customer-focused and delivered across all channels.

Furthermore, the rising use of the Internet of Things (IoT) requires an increasing reconfiguration of networks that can transport large volumes of data in real time. This data will no longer be solely generated by smartphones and mobile devices, but by a multitude of connected objects with widely different functional characteristics.

This new age of “smart connection” is characterised by a different approach to the network, which must

be adapted and reconfigured to meet changing user demands and of the supporting service.

Reply offers integrated strategic and technological consulting services to support the design, definition and management of the new-generation networks, based on SDN (Software Defining Network) technologies, capable of integrating and managing virtual networks (Network Virtualisation) through network engineering services and network operations. The arrival of 5G networks, furthermore, marks the end of the fixed/mobile barrier, eliminating communication-related distances connected to broadband limitations, to latency, and to the receptive capacity of the 3G network.

FINANCIAL SERVICES

Reply is increasingly active in supporting the digital transformation of Europe’s financial institutions. In this area, Reply works with some of the major players in the sector on many key issues, from the definition of multi-channel strategies, to the implementation of open banking and open API models and the adoption of AI models and technologies. In particular, in the increasingly relevant fields of big data, robots and artificial intelligence, Reply is investing heavily and collaborating with leading financial institutions (banks and insurance companies) along two lines of development:

- the concrete integration of the new big data technologies and architectures with existing systems; and
- the development of skills, analytics and machine learning models, aimed at extracting tangible business value from available databases.

Reply also boasts a strong and highly specialised presence in mobile payments and related m-commerce services. Reply offers consulting services, as well as a wide range of models and architectural solutions, aimed at the banking/ insurance market and at emerging players in the payments industry.

Reply maintains a strong market presence in the wealth management arena and has developed a wide range of specific skills and solutions. These are focused on the emerging consulting models, on expanding the range of services offered and on “robo advice”-type solutions and platforms. In the area of Governance Risk Control (GRC), Reply operates with a dedicated consulting division highly specialised in issues relating to risk evaluation and risk control. Within this, Reply is working with several leading financial institutions on a broad range of initiatives connected to the implementation of EBU standards and the development of associated models and solutions. Finally, Reply has been involved in numerous projects relating to the most advanced frontiers of innovation, such as in the latest biometric recognition technologies and digital identity, as well as quantum computing.

MANUFACTURING & RETAIL

Native cloud platforms and applications, together with a focus on the enabling aspects of digital transformation, represent the main technological component of Reply’s offering to the manufacturing market. Industry 4.0 and Logistics 4.0 are increasingly crucial elements in the strategic development of companies within the sector. Reply has invested

significantly in order to enhance its offering in this area and, over the 2017-2018 period, it completed the re-engineering of its proprietary solutions for both supply chain execution and its manufacturing execution system. The ability to interact with the latest generation of sensors (via IoT, cloud computing and big data technologies) installed on production lines and products was further boosted, with the aim of creating the backbone of the next generation of applications in the logistics and manufacturing sector.

Furthermore, Reply partners with companies to support them in the phases of the transformation and management of information systems: from strategic design to the understanding and redefinition of key processes, and the implementation of solutions that integrate core applications in the manufacturing and distribution sectors. The areas of focus and development of skills cover:

- the support of supplier and purchasing management processes;
- the design and implementation of control systems and planning based on the new generation of cloud ERP solutions;
- the planning and control of production units through Manufacturing Execution Systems (MES); and
- the distribution and handling of products across complex logistics networks through Supply Chain Execution (SCE) processes.

Finally, Reply has designed a specific portfolio that brings together consulting services with the design and development of integrated solutions for web, mobile, call centre and in-store services for the retail market. Digital devices, innovation around digital

channels, and physical locations combine to put the customer at the centre of experience and create a single immersive and consistent user journey.

ENERGY & UTILITIES

In 2018 the energy and utilities sector saw the growth of innovative technologies on an industrial scale, across the entire value chain.

Advanced analytics initiatives, based on new big data architectures and on the introduction of advanced data discovery techniques, proved their value across all main process areas including production, pricing and forecasting, trading and risk management, and marketing and revenue assurance.

Cloud Computing has become the leading provisioning tool for companies of all sizes, above all in the implementation of various digital transformation initiatives. The approach based on IoT models is increasingly widespread in the areas of generation, energy management and at the support of efficiency and smart city initiatives. The first key intelligent process automation and artificial intelligence initiatives were announced in 2018, solutions that are expected to see further consolidation in 2019.

Against this backdrop of extensive transformation, Reply is one of the reference partners in the sector, combining knowledge of the market and of its unique processes, with a distinctive capability to design, implement and manage innovative digital solutions and technological platforms that support the “core business”. The company’s consolidated expertise

in the introduction of new digital technologies has been further verticalised, with particular reference to the definition and development of new models in the energy management and downstream services sectors aimed at energy efficiency, areas in which Reply works with energy sales companies, as well as with end customers.

HEALTHCARE & GOVERNMENT

The increasingly evident need to bridge the gap between citizens and Public Administrations (PA) has led to the introduction of measures aimed not only at restructuring the management and control model (e.g. reorganisation of the national health system) but also the enhancement of existing services through the introduction of increasingly more digital and smarter systems (e.g. new monitoring system for individuals affected by chronic conditions). A public sector that is closer to its citizens implies a greater reach of the services offered, increasing the levels of usability and therefore of supply possibilities.

In the area of digital health, Reply’s highly specialised delivery of IoMT (Internet of Medical Things) focuses on two main areas: developing a network of information sharing among the various stakeholders in the field (i.e. patients, professionals and networks of those affected); as well as monitoring and supporting the citizen/patient at each stage of their “care and cure” journey (e.g. healthcare, social care).

THE VALUE OF PEOPLE

Reply is based on the excellence of the people who make up the company, professionals from the top universities in the sector. These men and women

within the group bring the Reply brand to life for customers and partners, embodying the company's image.

Reply invests continuously in human resources by establishing special relationships and partnerships with a number of universities with the aim of attracting highly skilled individuals to join its team.

Recruitment is focused primarily on young graduates. The particular disciplines of interest include: computer science, computer engineering, electronic engineering, telecommunications engineering, management engineering, and economics and business. The relationship between Reply and universities is also developed through regular collaboration, such as industrial placements, dissertations, and participation in lectures and seminars.

The values that characterise Reply's employees are enthusiasm, excellence, a methodical approach, team spirit, initiative and an ability to understand the business context and to communicate clearly the solutions proposed. The continuous desire to imagine, experiment with and research new solutions allows innovation to come about more rapidly and efficiently.

Those who decide to become a part of the "Reply world" will have the opportunity to fully express their potential within an organisational model based on culture, ethics, trust, honesty and transparency. These values are vital for the process of continual

improvement and for enabling employees to focus ever more sharply on the quality of their work.

All of the group's managers endeavour in their daily work to uphold the principles on which Reply has always depended and that have sustained it during its growth.

THE REPLY TEAM

- Sharing of the customer's objectives;
- Professionalism and speed of implementation;
- Culture and flexibility.

Excellence: the underlying culture, research, attention to quality, reliability and the creation of value from results.

Teamwork: collaboration, the transfer of ideas and knowledge, the sharing of objectives and results, respect for personal strengths and differences.

Customer: the sharing of objectives, customer satisfaction, conscientiousness, professionalism, a sense of responsibility, integrity.

Innovation: imagination, experimentation, courage, research, the quest for improvement.

Speed: methodology, experience in project management, collaboration, commitment to achieving results and meeting customer objectives.

CORPORATE GOVERNANCE

Reply S.p.A. is listed on the Italian Stock Exchange and present in FTSE Italia Mid Cap and FTSE Italia STAR indexes. The Corporate Governance system adopted by Reply adheres to the Corporate Governance Code for Italian Listed Companies issued by Borsa Italiana S.p.A. in March 2006, which was updated in July 2018, with the additions and amendments related to the specific characteristics of the Group.

In compliance with regulatory obligations the annually drafted "Report on Corporate Governance and Ownership Structures" contains a general description of the corporate governance system adopted by the Group, reporting information on ownership structures and compliance with the Corporate Governance Code, including the main governance practices applied and the characteristics of the risk management and internal control system also with respect to the financial reporting process. (The aforementioned Report is available on the Corporate Governance section of the Reply website. The Corporate Governance Code is available on the website of Borsa Italiana S.p.A.)

The Board of Directors, on an annual basis and at the proposal of the Remuneration Committee, establishes a Remuneration Policy which incorporates the recommendations of the Corporate Governance Code and regulations issued by Consob. In accordance with legislation, the Remuneration Policy forms the first part of the Report on Remuneration and will be submitted for review by Shareholders' Meeting called to approve the 2018 financial statements.

MAIN NON-FINANCIAL RISKS AND UNCERTAINTIES TO WHICH REPLY S.P.A. AND THE GROUP ARE EXPOSED

In addition to risk factors reported in Main Risks and Uncertainties to which Reply S.p.A. and the Group are exposed, shown in the Report on Operations,

there follows an overview of the main risks generated or suffered in relation to the five areas referred to in Legislative Decree 254/16, deriving from corporate activities, products, services or business relationships, including supply chains and subcontracting where relevant.

Leg. Decree 254 area	Risk description	Management method and mitigation actions
	<p>Group success depends largely on several key figures that have made a decisive contribution to its development, for instance the Chairman and Executive Directors of the Reply S.p.A. parent company. Moreover, Reply has a leadership team with many years of experience in the sector and playing a crucial role in the management of Group business. The loss of any of these key figures and failure to find an adequate substitute or to attract and retain new, qualified personnel could therefore have adverse effects on the Group’s business prospects, earnings and financial position.</p>	<p>Reply’s operational and managerial structure is able to ensure continuity in corporate governance.</p>
EMPLOYEE MATTERS	<p>The Group operates in the ICT service segment, which is characterized by fast, important technological developments and constant evolution of professional skills and expertise. Thus, Reply business relies on its ability to attract and retain new, well-qualified human resources, as well as being able to foresee adequate training programs to provide workers with the tools they need to develop innovative solutions. The inability to attract resources and prepare such training programs could have a negative impact on the Group’s future prospects.</p>	<p>Reply works on a regular basis with many universities and research centres, both in Italy and abroad, with projects like ReplyU and Student Tech Clash to spread awareness of the company.</p> <p>Reply has implemented a platform for document archiving and for sharing insights, links, opinions, and documentation, to encourage employees to keep abreast of the most recent developments in the ICT sector.</p>

Leg. Decree 254 area	Risk description	Management method and mitigation actions
EMPLOYEE MATTERS	The Group is committed to ensuring respect for diversity and equal opportunities among employees at all times. Nonetheless, the absence of a specific policy to manage these aspects might leave Reply unprepared for responding to relevant current legislation or regulations or arising in future.	Reply shares its Code of Ethics with all Group employees and independent contractors and requires them to accept its contents.
	Although Group activities do not pose high risks for the safety of employees and independent contractors, it is important to guarantee a safe and healthy workplace. Failure to comply with applicable legislation on workplace health and safety at work could lead to legislative non-conformity and ultimately have negative effects on the Group.	In Reply's Italian offices, worker health and safety is managed through practices and procedures based on OHSAS Standard 18001. Several Group companies have approved specific health and safety policies, if required by legislation or market practices.
ENVIRONMENTAL MATTERS	In most cases, the Reply Group does not own the premises that house its offices. This situation means the company is unable to put in place direct energy efficiency measures that might bring financial benefits or improve environmental performance. Moreover, the absence of an emissions management program might bring a risk of damage to the Group's reputation, especially if it is required to report environmental performance.	The Reply Group has defined and communicated its Environmental Policy. Reply is engaged in the Carbon Disclosure Project (CDP) for its Supply Chain.
	In conducting its business, the Reply Group produces waste, including special waste (e.g. WEEE), whose disposal is covered by specific legal requirements. Failure to implement a program for monitoring waste disposal methods, may mean the Group is non-compliant with current legislation.	Reply's electrical and electronic waste is entrusted to external authorized companies for correct disposal. Reply recycles any unused functioning computers and donates them to schools located near its main Italian offices.

Leg. Decree 254 area	Risk description	Management method and mitigation actions
HUMAN RIGHTS	To deliver its services, the Reply Group may engage independent contractors for its in-house teams. Failure to implement a process during selection for assessing the ethical practices of such contractors, including legal compliance, human rights, corruption, and social responsibility might expose the Group to long-term negative effects.	Reply requires independent contractors to accept its Code of Ethics explicitly. The Group has in place administrative processes to guarantee stringent checks on independent contractors.
	In conducting its business, the Reply Group is committed to supporting human rights protection and avoiding any form of discrimination. Nonetheless, absence of corporate policy to prevent or manage any discrimination might increase the likelihood of such incidents arising.	Reply has in place a whistleblowing system that employees can use to flag any irregular conduct or violations of applicable regulations and internal procedures.

	<p>In providing services to third parties (B2B), the Reply Group deals with confidential information. Inadequacy of systems and procedures guaranteeing protection of such data might lead to their loss and trigger negative effects for the Group.</p>	<p>Reply has adopted policies and procedures to ensure the appropriate use of customer data by employees and independent contractors. Moreover, the corporate data protection model has been updated to comply with GDPR requirements. The Reply Group Compliance Department conducts regular audits to verify that existing procedures are applied correctly.</p>
	<p>The Reply Group operates in a highly competitive market and might be damaged by competitors who adopt unfair competition practices. Conversely, if one or more Group companies adopt/s trade and competition practices that are not in line with the Corporate Code of Ethics or applicable legislation, they might cause damage to the entire Group.</p>	<p>Reply shares its Code of Ethics with all Group employees and independent contractors, and performs regular checks to ensure it is being applied. Reply promotes business culture inspired by ethical principles established by top management: "Tone at the top".</p>
<p>SOCIAL MATTERS</p>	<p>The Reply Group has a large number of workers scattered around different geographical areas. Failure of Reply Group workers to comply with its ethical values could lead to conduct that does not conform to current regulations, generating negative effects for the Group.</p>	

Leg. Decree 254 area	Risk description	Management method and mitigation actions
ANTI-CORRUPTION MATTERS	As part of its business, the Reply Group establishes trade relationships with other companies, so employees may be at risk of corruption and bribery.	<p>The Reply Group has in place an Organizational, Management and Control Model that complies with Legislative Decree 231/2001 (hereinafter also referred to as MOGC 231). All employees are given MOGC 231 and Code of Ethics training.</p> <p>Reply performs regular risk assessments for those areas at risk of corruption.</p> <p>Reply adopts a formal “Policy of Gifts, Entertainment Expenses, Sponsorships” to control these events applying principles of ethics and proper conduct.</p> <p>Reply performs specific cost-benefit analysis of all contracts involving consulting staff who might foster episodes of corruption.</p>

CORPORATE VALUES AND ETHICAL PRINCIPLES

REPLY'S CODE OF ETHICS

In ensuring that all their corporate activities are based on principles of proper conduct and transparency, Reply and its subsidiaries adopt a Code of Ethics approved on 28 March 2008, distributed and circulated in all the countries where the Group operates. This code was developed to ensure that the Reply Group's key ethical values are clearly defined and constitute the basic element of corporate culture, as well as set a standard of conduct for all those working for the Group with regard to business and non-business affairs. The document is intended for all Group stakeholders, namely: shareholders, employees, independent contractors, suppliers, customers, and business partners. The fundamental ethical principles of the Group are: worker **professionalism and reliability; legality and honesty** of Group activities in compliance with current legislation; **impartiality**, which carries with it respect for **diversity and no discrimination** among workers; and **integrity, prevention of potential conflicts of interest**, as well as **transparency** regarding all business practices involving the recipients of the Code. Furthermore, the Code of Ethics defines the rules of conduct that define Reply's relationship with its stakeholders.

The relationship with its **employees** is developed through specialization of skills, attention to quality and cooperation for achieving objectives, and constant assessment of the contribution made by each resource to company results. All the Group's **independent contractors and consultants** are required to comply with the law and with the obligations defined in their respective contracts

and in the Code of Ethics, working diligently to safeguard corporate assets. The Reply Group is committed to achieving maximum results to protect workplace health and safety for **employees**, and operates respecting local and national communities, contributing to the circulation and awareness of sustainable development.

Furthermore, the Group's Code of Ethics describes the relationship with **public authorities and institutions**, delegated to those who are formally appointed within the individual companies and have explicit mandate. Relationships with institutions are based on legality, transparency, clarity, and integrity, in full compliance with current applicable legislation.

Relationships with **customers** are founded on shared objectives, in the spirit of professionalism, responsibility, and integrity. Group workers shall therefore aim to maintain and develop existing relationships to the highest quality standards, to satisfy the customer's reasonable expectations, which will be monitored on a regular basis. The selection of **suppliers** and stipulation of terms and conditions applicable to purchase of goods and services for Group companies shall be dictated by the values and criteria of legality, competition, objectivity, integrity, impartiality, fair price, quality of goods and/or services, with a careful evaluation of product warranty and range of offers.

Security of information systems is one of the requirements specified as fundamental in Reply's Code of Ethics. IT security is guaranteed by implementing the necessary procedures and technical mechanisms to ensure the reliability of

processed information, as well as the effectiveness and efficiency of the services rendered by the Group.

In conducting its business, the Reply Group focuses mainly on principles based on transparency and integrity, respecting the expectations of the various stakeholders and regulatory provisions. In this regard, the most important aspects for the Group, considering its business, relate to regulatory compliance, protection of customer data, and responsible management of workers.

COMPLIANCE AND THE FIGHT AGAINST CORRUPTION

To maintain its business relationships with private and public entities, the Reply Group considers compliance with current legislation to be essential, also with reference to unfair competitive practices, anti-corruption and bribery.

At present, the Group has considered unnecessary the adoption of a formal policy declaring a corporate position with regard to its compliance with applicable regulations, as they are inherent to business culture and because local regulations tend to differ. In any case, these principles are summed up in the Group's Code of Ethics.

Regarding the fight against corruption, even if a specific formalized policy dedicated to the matter does not yet exist, at corporate level Reply has adopted an Organization, Management and Control Model in accordance with Legislative Decree 231/2001. This is a structured overall system of control procedures and processes aimed at

preventing any non-compliant behaviour, including corruption, whenever possible. Each Group company is responsible for implementing the abovementioned model in relation to the activities it manages, and which could potentially be at risk.

Group employees are required to comply with the MOGC 231 and related procedures, which specify operative models for conducting various business processes. These procedures have been adopted to reinforce the internal control system, specifically those related to corporate corruption and crimes. To verify the effective application of these procedures, internal audits are performed on a regular basis.

Moreover, in each country where the Group operates, specific channels are currently in place to report episodes of corruption.

MOGC 231 specifies processes at risk of corruption and they include management of entertainment expenses, gifts, sponsorships, and generic donations. For this reason, the Group has formalized a "**Policy of Gifts, Entertainment Expenses, Sponsorships**", valid for each of the Group companies and containing guidelines to be applied so as to avoid conduct that will fail to comply with legislative provisions and internal rules of conduct. During 2018, a **Whistleblowing Policy** was formalized at Group level, encouraging employees to report any suspected wrongdoing as soon as possible and reassuring that any such report will not affect their working conditions.

The term "wrongdoing" refers to non-compliance with applicable legislation, violations of the Code of Ethics and/or Group Policy, and, more generally, to actions that may damage (for example in economic,

environmental, workplace safety terms) the Reply Group companies and stakeholders.

The policy describes the ways in which employees are required to report such events, namely by reporting to the Supervisory Body, which guarantees the confidentiality of reports, as well as the informant's anonymity (in accordance with Legislative Decree 196/03 – EU Regulation 679/2016, of the General Data Protection Regulation).

The Supervisory Body is tasked with verifying the reports and relaying them to the Reply S.p.A. Board, which then will decide whether to implement an intervention plan.

Indicators

In 2018, as in the previous two-year period, no episodes of corruption were registered in any of the Group's companies, nor were legal proceedings initiated for reasons linked to corruption, unfair competition or monopoly practices. Moreover, no monetary or non-monetary sanctions were received for violation of any socio-economic laws or regulations.

New employees in Italy are given anti-corruption policy training, so in the last three years this has been focused mainly on new staff. More specifically, in 2018 it involved 2% of managers and 20% of staff employees, in addition to 4% of managers and 22% of staff employees trained in 2017, and 9% of managers, and 30% of staff employees in 2016.

As of 31 December 2018, 100% of Region 2 employees signed the Code of Ethics. In Region 1, the percentage was 98%, while in Region 3 it was 90%. Furthermore, at corporate level, the Code of Ethics was accepted by 99% of executives, 99% of

managers, and 97% of staff employees.

With regard to suppliers, it should be noted that at the time of formalizing contracts, they are required to sign a Master Agreement valid at Group level, which includes specific clauses for accepting the principles outlined in the Code of Ethics.

DATA PROTECTION

The security of our information systems is a fundamental requirement for ensuring the reliability of the data processed, as well as the effectiveness and efficiency of the services provided by the company. Reply's commitment to data protection and associated aspects is aimed specifically at safeguarding:

- confidentiality of data, ensuring it is accessible only to authorized people;
- integrity, safeguarding completeness of data and transfer methods;
- availability of data, granting authorized users access to the data and handling methods for such data whenever necessary.

As part of IT security management, the Reply Group updated its **ICT Security Policy** in 2017 to provide a set of criteria for the correct and secure management of information related to project activities performed in house or at customer premises, in compliance with the requirements of relevant key standards. The policy uses international best practices like ISO Standard 27001 as a reference, which defines the requirements for setting up and managing an information security management system.

The ICT policy defines the following:

- **information security responsibilities** of Reply's

ICT and more generally of the personnel involved in central information system management, the individual operating companies, and Reply personnel;

- **asset management** methods (for example, servers, laptops, etc.) to ensure that assets are identified and classified so that the company is fully aware of their existence and can implement appropriate measures to protect them;
- **logical access control** methods to prevent unauthorized processing of information by defining correct access and methods for users;
- **physical protection of IT assets** to ensure physical security of information, preventing unauthorized access to company premises, and guaranteeing an adequate security level of information processing resources;
- **operative management methods of systems, networks, and telecommunications** to ensure the attainment of a high level of logical security for the data processed through information infrastructures;
- **information system development, maintenance, and acquisition** to ensure that IT systems (applications, operating systems, middleware, etc.) are developed or acquired and maintained over time ensuring integrity, confidentiality, and availability of information;
- **relationships with third parties and outsourcers** to ensure the security of business assets also when third parties/outsourcers are involved, monitoring their access to information and work areas;
- **security incidents management** to ensure the design and implementation of solutions to identify

and manage unexpected events or incidents, also considering the need to maintain adequate levels of continuity despite unforeseen events that may have a serious impact on business;

- **business continuity management** guidelines to ensure the continuity of ICT services that must also be available in emergency situations;
- **compliance criteria** to ensure that the Group's operations and information security management methods are implemented in compliance with standards, regulations, and contracts stipulated with third parties.

Reply has adopted a **policy for supplying services on behalf of the customer**, with the scope of providing guidelines to all Group employees regarding conduct to be observed to ensure that services provided are in line with current legislation and to prevent computer crimes (Legislative Decree 231/01; Legislative Decree 196/03).

The Group has formalized a policy regarding **conduct rules and regulations for the secure management of assets and information** to define the rules that all personnel must respect to guarantee the correct and secure use of assets made available by the company (premises and physical resources, paper documentation, ICT tools and company services).

The policy was adapted to local legal requirements in the European countries where Group subsidiaries are based.

In May 2018, the Global GDPR Compliance Program was completed, allowing the Group to update its

organizational model with respect to privacy and fulfilling the regulatory requirements of the new EU Regulation 2016/679 GDPR, which came into effect on 25 May 2018.

This program also put in place to standardize data and privacy protection practices for all Group companies and holdings, was applied through the definition of a Privacy Management system which envisaged the implementation of the following actions:

- preparation and regular updating of **GDPR Registers** (inventory of actions by the company and its holdings involving personal data);
- **Privacy by Design Process**, which involves, the implementation of privacy risk assessment practices that identify technical and organizational measures to ensure that each new project or significant change meets GDPR privacy and security requirements;
- **Data Breach notification process**, which provides for the management and any notification of a data breach to the personal data protection authority, and, if necessary, to individuals impacted by the data breach;
- **Data Protection Impact Assessment (DPIA)** process, which allows the identification and mitigation of privacy risks for the treatment of data that are most at risk, for example, conducted on special data, and large-scale profiling and monitoring activities;
- **Privacy Request handling process**, namely management of the requests of interested parties regarding application of their personal data rights (for example, portability, data access and cancellation, etc.).

In addition, the Group has defined a policy to be followed to verify that privacy legislation (**Data Processing Agreement**) is respected during the negotiation phase with the customer, and during the service delivery phase, providing operational instructions for Group employees, who must accept and apply the policy to guarantee Reply compliance.

As part of the reporting of incidents related to data loss, the Reply Group prepared the “**ICT security incident management**” policy in 2018, which has been in force since January 2019, regarding the definition of incident management methods that can compromise one or more information security requirements (confidentiality, integrity, and availability of data) with the potential violation of applicable legislation (for example, the GDPR). The procedure describes the three phases defined by the incident management process (identification/classification, response, and “lessons learned”) and the roles and responsibilities for the different phases identified.

To complete its program to meet the requirements of the new European regulation, the Group has organized data protection and privacy **e-learning actions** for all its employees, as well as a classroom course for partners. These courses are in addition to established awareness raising activities for employees such as the “Awareness” course (for executives), IT security, and the “Simulated Phishing” initiative, aimed at increasing worker awareness of data protection risks.

Finally, the Reply Group has formalized the process to be followed in the event of re-use or disposal of

hardware containing data processed by the Group. In particular, the purpose of this procedure is to prevent any possible unauthorized access, use and disclosure of data contained in hardware reused, resold, returned in the case of leasing, discarded, or more generally used for different purposes or by different owners. The process describes:

- methods for reuse or disposal of hardware;
- secure removal methods for each type of hardware;
- methods for demagnetization and physical destruction of hardware;
- supplier selection criteria with respect to hardware destruction and disposal.

Indicators

During 2018, as in the previous two years, there were no registered complaints regarding privacy violations or customer data loss.

MANAGEMENT OF INDEPENDENT CONTRACTORS

The selection process and the focus on building virtuous, long-lasting relationships with independent contractors is essential to the Group. Independent contractors work both at Reply and customer premises, so they are assessed and managed carefully. To this end, a structured selection, assessment and qualification process of independent contractors is in place, centrally managed by the Sourcing division, which monitors level of performance and encourages ongoing development. This process is already in place for Italian companies and in 2017 and 2018 was extended to independent contractors working for subsidiaries in the United Kingdom and Germany.

The social criteria used to evaluate independent contractors are country specific. In Italy, fulfilment of social security obligations and compliance with employment status of independent contractors is checked.

In the United Kingdom, the Modern Slavery Policy was enacted, as required by local legislation.

In Germany, given the nature of independent contractors, who are largely individual freelancers, no such assessment process was followed.

For 2019 the control process will be extended to the other European companies of the Group (France, Benelux, and Romania), which employ a small number of independent contractors.

In other countries where the Group operates, the Sourcing division has begun to analyse the contractual and regulatory conditions applied to management of independent contractors, to assess their correct integration in the selection and evaluation process.

All contracts signed by the Group require that independent contractors and suppliers accept and apply the Group's Code of Ethics.

Indicators

There was a large increase in 2018 compared to the last two years of new independent contractors assessed by social criteria: 80% in 2018, compared to 42% in 2017, and 47% in 2016.

RESEARCH AND DEVELOPMENT OF TALENT

The Reply Group's success and growth are supported thanks to the commitment and excellence of the people who work in its Italian and international offices. Reply's women and men represent the brand and the image of the Group with customers, partners and external stakeholders. For this reason, the Group invests constantly in their growth and development, guaranteeing career paths and creating the conditions for a supportive, inspirational work environment. In a competitive and evolving scenario, Reply's employees are committed to imagining, experimenting and studying new solutions, to support business development and grow the Group's ability to improve and meet new challenges at all times. The values of professional skills, timeliness, flexibility, innovation, attention to quality, and sharing of customer objectives are the underpinning of Group policies in human resources management. Currently, the Group expresses its goals of developing and leveraging the skills of its personnel through tangible actions but not currently formalized in corporate policy as it is not deemed necessary given the shared goals at all corporate and company levels.

Reply is committed to promoting protection of human rights, avoiding any form of discrimination of race, gender, sexual orientation, physical and health conditions, disability, age, nationality, religion, or personal opinion.

To avoid and prevent any episodes of discrimination, an internal whistleblowing system has been put in place, for reporting any irregular behaviour or violations of the applicable regulations and internal procedures. The Supervisory Body is responsible for the system and ensures anonymity of reports.

To promote knowledge-sharing activities and corporate welfare, the **Reply Social Network** unit has been established, engaging employees ("**Replyers**") through both informal and formal learning paths and activities, using digital channels and events. Attracting and retaining staff are extremely important processes for Reply, and the process is applied in full compliance with all applicable legislation, respecting the principles of transparency and assessment of skills, ability and professionalism. Reply acquires the best talents through privileged relationships with several Italian and European universities and research centres, so as to enrich its workforce with high-profile personnel.

A range of activities has been developed to engage students, including **ReplyU**, an employer branding initiative to introduce Reply to university students from all over Europe, and **Student Tech Clash**, a contest for universities to stimulate competition through creativity and the production of innovative projects. **Reply Social Network** also includes a **knowledge-sharing** platform built for sharing insights and organizing information and trainings events. The events are open to all employees and include seminars and workshops for sharing the best projects delivered to clients and presenting research and innovation experiences.

Training actions include **Reply Social Network**, a vehicle for proposing and managing all courses for improvement of **communication** abilities and **soft skills**. Technical training is not managed at corporate level but locally by each Group company, in order to find the best fit for specific training needs.

Reply pays close attention to safeguarding employee health and safety, both by implementing the necessary measures to guarantee a safe workplace and by arranging training and circulation of information for effective prevention, and managing professional risks associated with corporate business.

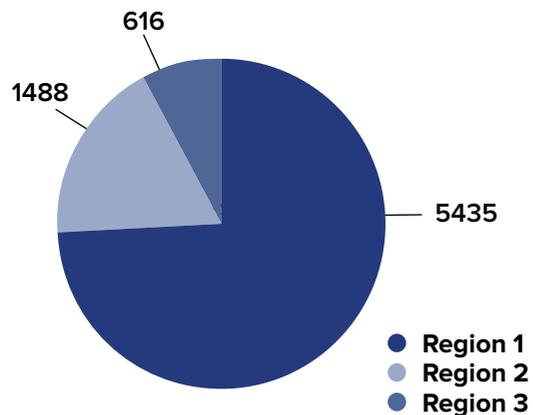
The Group companies, in their respective corporate structures, are committed to complying with in-house safety regulations for workers, and training and extending existing procedures across the Group. Health and safety management in all Group companies operating in Italy is guaranteed through a model based on the international OHSAS 18001 Standard. To ensure compliance with current regulations in each country, the parent company has initiated an audit process in various Group subsidiaries.

Indicators

With regard to workforce composition, on 31 December 2018 the Reply Group had 7,539 employees²⁾, with an increase of 17.7% compared to the previous year. The number of female workers rose from 1,547 in 2016 to 1,643 in 2017 and is equal to 26.9% of the total workforce.

The chart below shows the distribution of employees in the regions where the Group operates.

FIGURE 1. NUMBER OF EMPLOYEES BY REGION³



Reply considers the offer of stable, long-lasting employment relationships essential in supporting employee growth: in 2018 more than 99% of employees in Regions 1 and 3, and around 95% in Region 2 were hired with permanent contracts, with a stable trend compared to the previous year, confirming the company's attention to safeguarding employee stability. Of the total number of women employed, 98% have permanent contracts.

It is worth noting that almost all employees – about 96% – have a full-time contract and of these, 25% are women.

In addition to the in-house workforce, there are independent contractors and interns engaged in training courses and/ or professional placement paths in Group companies. In 2018, contractors increased of 13% compared to 2017, and 31% compared to 2016. Independent contractors deal

² With reference to countries included in this NFI, see Methodology.

³ Region 1: Italy, USA, Brazil, Poland, Romania.
Region 2: Germany.
Region 3: UK, Luxembourg, Belgium, Netherlands, France.

mainly with software development and ICT systems support. All of the staff employed in Italy and Brazil have signed collective bargain agreements, although this is not the case in other countries where Reply operates, since it is not envisaged by local legislation.

The management and optimization of Reply's human capital is achieved through integration and respect of equal opportunities and diversities, representing essential assets for idea and process innovation, and for addressing and managing market challenges in the best way.

TABLE 1. NUMBER OF EMPLOYEES BY CATEGORY, GENDER AND AGE GROUP

CATEGORY	AGE GROUP	2016		2017		2018	
		MALE	FEMALE	MALE	FEMALE	MALE	FEMALE
Executives	< 30	0%	0%	0%	0%	0%	0%
	30 < x < 50	3%	1%	3%	1%	3%	1%
	> 50	1%	1%	1%	0%	1%	0%
Managers	< 30	0%	0%	0%	0%	0%	0%
	30 < x < 50	10%	5%	11%	6%	11%	7%
	> 50	2%	1%	2%	1%	2%	1%
Staff	< 30	30%	37%	30%	37%	30%	37%
	30 < x < 50	51%	51%	50%	51%	49%	50%
	> 50	3%	4%	3%	4%	3%	4%
Total		4,401	1,547	4,764	1,643	5,508	2,031

The Board of Directors of Reply S.p.A. comprises five men and one woman aged over 50; one man and two women aged between 30 and 50. Reply is committed to promoting protection of human rights, avoiding any form of discrimination of race, gender, sexual orientation, physical and health condition, disability, age, nationality, religion, or personal opinion.

The Reply Group assesses the individual contribution of all employees to corporate performance on

an ongoing basis, monitoring pre-set targets and goals achieved, the actions put in place, and tasks performed for a specific timespan, as well as leveraging employee competence and quality. During 2016, 2017 and 2018 a centralized personnel assessment system was used to monitor performance of almost all employees. The trend for the last two-year period is nonetheless in a downward direction because a significant number of new employees have joined the company, who are reviewed after their first six months at work.

FIGURE 2. PERCENTAGE BY CATEGORY OF EMPLOYEES GIVEN REGULAR PERFORMANCE REVIEWS BY CATEGORY

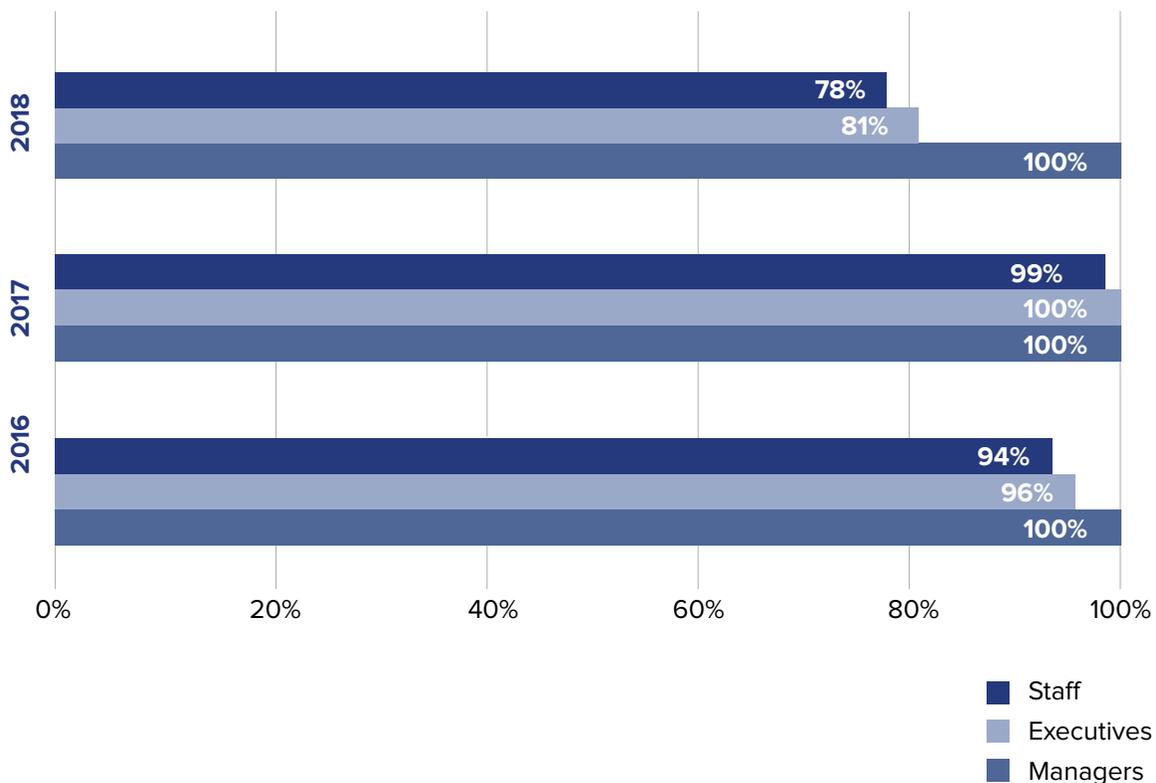
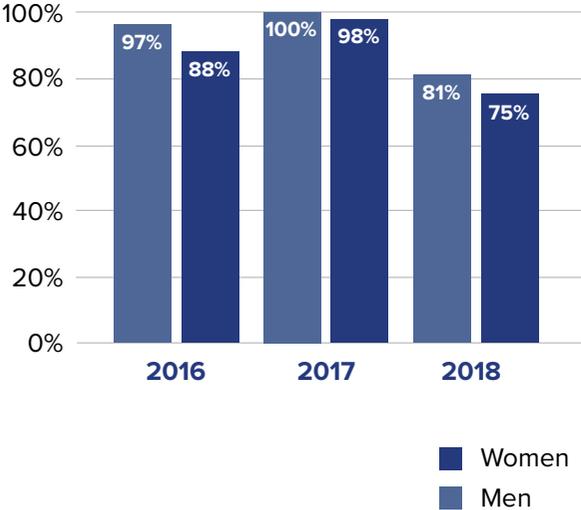


FIGURE 3. PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE REVIEWS BY GENDER



Training and professional development are promoted regularly with ongoing education activities. Consequently, in 2018, Reply invested in programs for professional skill and career development, including induction and onboarding courses, specialization and technical refresher courses, and soft skill workshops.

Furthermore, to increase employee retention and general wellbeing, Reply offers a range of benefits that vary from country to country, compliant with local legislation.

There is no significant difference in allocation of benefits for different types of contract (permanent, temporary, part-time) in any of the countries where the Group companies operate.

With respect to employee health and safety, accident rates are shown below, with breakdown by Region.

Significantly, most registered accidents (about 91%) are actually commuting injuries sustained when workers travel between home and workplace.

- Region 1:** in 2018 there were 19 accidents involving men and 14 involving women. The injury rate of 2.45 for men is down by 11% compared to 2017 and 17% compared to 2016; for women, however, it is 5.56, up 20% compared to the previous year and down 34% compared to 2016. The 0.05 lost day rate for men is unchanged compared to 2017 and down compared to 2016 (-36%), while for women it is 0.09, down by 58% compared to 2017 and 61% compared to 2016. Absenteeism has not changed compared to 2017 and 2016, and is around 3% for women and 2% for men.
- Region 2:** there were no injuries recorded for 2017, while in 2018 there were 8 injuries involving men and 3 involving women for a injury rate of about 5.7 for men and 7.04 for women. The lost day rate is 0.05 for men and 0.02 for women. Absenteeism was about 3% for men and 4% for women, with a steady trend compared to the previous two years.
- Region 3:** there were 3 injuries during 2018 (1 involving a man and 2 involving women). The injury rate of 0.98 for men is down by 46% compared to 2017, while for women it was 4.8 and down by 5% compared to the previous year. The lost day rate for men is 0.001, a decrease of 93% compared to 2017; for women, at 0.03, there is a decrease of 87% compared to 2017. The absenteeism rate is around 1.85 for women, with a decrease of 22% compared to 2017, and 0.8%

for men, with a decrease of 68% compared to the previous year. ⁴

There were no occupational illnesses in any Region during 2018.

⁴ No data are available for 2016 for the UK, France, Belgium, Netherlands and Luxemburg. The wide variation reported in the text for Region 3's severity index and absenteeism rate is partly explained by a greater data coverage than in previous years. Similarly, the variations compared to 2017 are for the gravity index -26% (men) and -9% (women), while for absenteeism -9.2% (men) and + 47% (women). Moreover, it is to be noted that the reporting of this indicator excludes companies acquired in 2018 (Valorem, Spike, Elbkind).

RESPECT FOR THE ENVIRONMENT

As specified in the Code of Ethics, the Reply Group is committed to managing its business activities paying close attention to environmental issues, contributing to diffusion of sustainability culture to respect the legacy for future generations. Reply works mainly in offices and most of the services are delivered by employees directly at client premises. Consequently, environmental impact is limited to consumption of energy resources (for office heating and lighting) and the ensuing impact on climate change.

In most cases the Group does not own the premises out of which it operates and cannot implement energy efficiency measures itself, but it has put in place environmental policy guidelines to reduce and monitor the impact of corporate activities on the environment, including aspects related to energy consumption and green-house gas emissions.

The guidelines enable evaluation of the external and internal context in which the Group operates, with particular reference to policies implemented by the European Union and other international organizations (i.e. GHG Protocol, Carbon Disclosure Project), identifying the main environmental impact areas and relative tools for addressing the issues. These include:

- the **GHG Emissions Control Program**, inspired by the Carbon Disclosure Project (CDP), and applied to monitor impact in terms of GHG emissions, implement measures to decrease GHG emissions, and to meet stakeholder expectations;
- the **Environmental Management System** (applied only in Italy) is inspired by UNI EN ISO 14001:2015 and aims to minimize negative environmental

impact in order to comply with applicable legislation and promote ongoing improvement.

The main guidelines defined by the policy are intended for all employees and cover the following: document printing, materials recycling, energy saving, energy efficiency, transport, and consumption reporting. For each aspect, a number of rules of conduct are outlined as the underpinning to daily choices, both for the individual and at corporate level: use of public transport, preferring devices with high energy efficiency, decreasing document printing, complying with separate waste collection requirements in offices. Environmental policy also identifies the roles, responsibilities, tools and activities to be implemented for monitoring impact, raising environmental awareness, communication, and reporting.

Furthermore, with a view to sustainability, waste reduction, recycling and re-use of materials, Reply has been recovering computers that are no longer in use but still in working order, making them available to schools in the districts of the main Italian offices (Turin and Milan). On the one hand, the initiative makes it possible to produce less technological waste, more difficult to dispose of, and on the other, it makes computers available for learning purposes. The initiative, formalized in 2017 and put in place in 2018, included an agreement between Reply, Turin Municipal Council, and the Polytechnic whereby the company supplies 100 computers per year to Turin schools.

Energy consumption

The Reply Group energy consumption refers to:

- **Electricity**, sourced from the national grid to supply offices and premises lighting systems, and technological and IT equipment (computers, printers, servers, data centres).
- **Natural gas** for the operation of the heating systems installed in the Reply offices and whose consumption is strictly linked to the volume of corporate activities and number of offices.
- **Diesel and gasoline** fuel for corporate vehicles.
- **District heating** for offices and/or producing hot water, with a reduction in environmental impact. District heating is used mainly in Italy, Luxembourg and Germany.

The table below shows energy consumption by type for 2016, 2017 and 2018.

The data reported show an increase in electricity (+ 8.7%) and diesel (+ 22%) consumption over the three-year period, mainly due to the growth of the organization in terms of activities managed, the increase in the workforce, expansion of premises and offices, as well as the acquisition of new companies during 2018. Conversely, there was a decrease in the consumption of natural gas (-22%) and district heating energy (-8.5%) thanks to enhanced efficiency in building heating systems management with a reduction in the number of hours boilers were in use and in office opening hours, as well as continuous improvement in data collection methods.

TABLE 2. ENERGY CONSUMPTION BY TYPE

TYPE OF CONSUMPTION	UNIT OF MEASURE	2016	2017	2018
Electricity ⁵	kWh/year	9,438,714	9,571,010	10,259,103
Natural gas	m ³ /year	1,261,559	1,417,462	982,642
Diesel	l/year	1,567,325	1,630,992	1,913,664
Gasoline	l/year	150,119	210,934	150,335
District heating	kWh/year	3,209,612	3,678,126	2,937,108

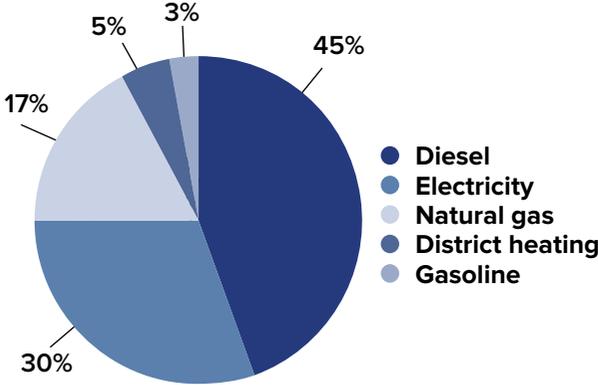
GHG emissions

As mentioned, the Group's greenhouse gas emissions derive from its office-based organization and are thus due to the use of fossil fuels for heating, running vehicles, and purchase of electricity produced by third parties. The emissions deriving from Reply activities are thus very limited and linked to traditional assets such as electrical and heating plant.

The figure below breaks down total greenhouse gas emissions by individual source and shows that the largest impact comes from the consumption of electricity for offices, technological and IT equipment, building heating systems, and diesel consumption for the corporate fleet.

⁵ The percentage of electricity produced by renewable sources depends on the electrical mix at national level.

FIGURE 4. CO₂ EMISSIONS (SCOPE I + SCOPE II), BY SOURCE IN 2018



The table below compares GHG emissions in the last two years for Scope I (direct greenhouse gas emissions, from the consumption of natural gas, diesel and gasoline), and Scope II (indirect energy emissions calculated from electricity consumption and district heating). Scope II indirect greenhouse gas emissions are calculated using two different methods:

- **location-based:** reflects the average intensity of emissions relative to the grids providing the energy;
- **market-based:** reports emissions related to electricity and district heating that the Group has decided to buy intentionally or taking into consideration energy quotas purchased from certified renewable sources.

At this moment in time, the Reply Group does not buy electricity quotas from certified renewable sources, therefore greenhouse gas emissions calculated using the market-based method appear higher than the emissions calculated with the location-based method.

TABLE 3. DIRECT (SCOPE I) AND INDIRECT GREENHOUSE GAS (SCOPE II) EMISSIONS

SCOPE	UNIT OF MEASURE	2016	2017	2018
Direct (Scope I) greenhouse gas emissions	ton CO ₂	7,078	7,751	7,339
Indirect (Scope II) greenhouse gas emissions LOCATION-BASED	ton CO _{2eq}	4,305	4,418	4,001
Indirect (Scope II) greenhouse gas emissions MARKET-BASED	ton CO _{2eq}	5,305	5,400	5,592

An analysis of greenhouse gas emissions trends in the three-year period 2016–18 shows:

- a slight increase of 4% in Scope I emissions, mainly due to the increase in diesel consumption;
- 7% Scope II emissions reduction calculated using the location-based method, and mainly due to a decrease in updated 2018 emission factors. Conversely, Scope II emissions calculated with the market-based approach show a growth trend for the last three years (+ 5%), given that the emission factors consider the residual energy mix, namely net of certified renewable energy quotas.

METHODOLOGY

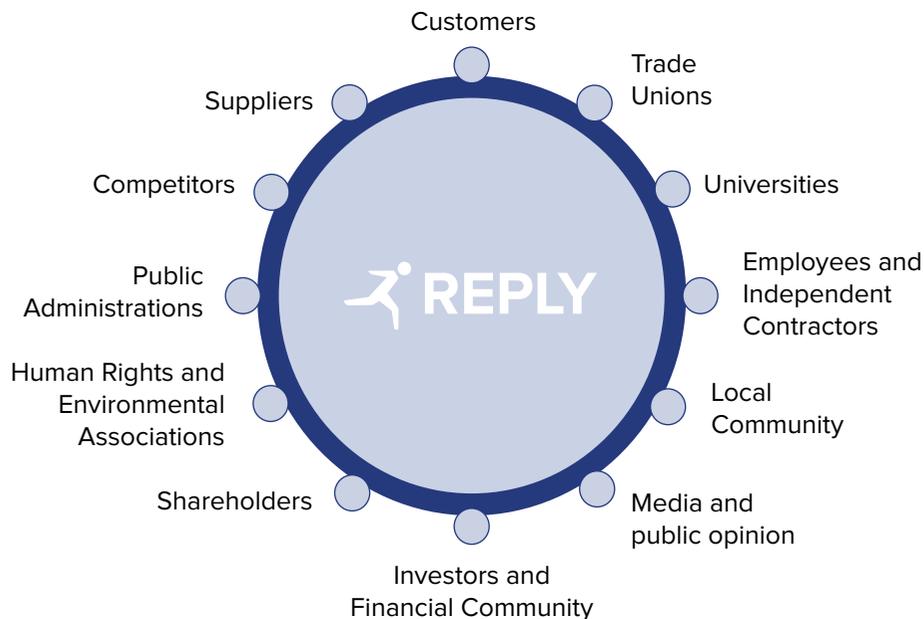
The Reply Group's consolidated disclosure of non-financial information complies with the requirements of Legislative Decree 254/16 and subsequent amendments referred to the obligation to report non-financial information by large public interest entities, with the aim of ensuring an understanding of the Group's organizational model, policies, main risks and performance indicators in relation to environmental, personnel, human rights, social, anti-corruption and bribery aspects that are important when taking into account corporate activities and characteristics. This document (NFI) was approved by the Reply S.p.A. Board on 14 March 2019. This document has been subject to limited assurance by EY S.p.A. in accordance with the International

Standard on Assurance Engagement (ISAE 3000 Revised).

REPLY'S KEY STAKEHOLDERS

In pursuing its corporate objectives, the Reply Group believes it is essential to consider the expectations of its stakeholders, defined as the subjects that directly and/or indirectly interact with the organization along the entire value chain. Group stakeholders have been identified taking into consideration the influence they can have on the organization and dependence upon it. The mapping of the Reply Group key stakeholder categories is shown in the chart below.

FIGURE 5. STAKEHOLDERS MAPPING



The Reply Group believes it is essential to build a lasting relationship of trust with its stakeholders. Indeed, it has established an approach of continuous dialogue and involvement with them, through specific initiatives, organization of meetings for discussion, and regular sharing of information.

TABLE 4. STAKEHOLDER ENGAGEMENT

STAKEHOLDER	COMMUNICATION AND ENGAGEMENT CHANNELS
Employees and Independent Contractors	<ul style="list-style-type: none"> • Social network: division within the Group that deals with knowledge sharing, recruitment, attraction of talents, corporate welfare, and event organization • Surveys • Annual performance assessment interviews
Universities	<ul style="list-style-type: none"> • Initiatives with university students (e.g.: ReplyU and Student Tech Clash)
Customers	<ul style="list-style-type: none"> • Web sites, social media, newsletters • Seminars, events, workshops • Customer Surveys
Human Rights and Environmental Associations	<ul style="list-style-type: none"> • Carbon Disclosure Project (CDP)
Shareholders/Investors and Financial Community	<ul style="list-style-type: none"> • General meetings • Roadshows
Media and public opinion	<ul style="list-style-type: none"> • Press releases • Social media
Suppliers	<ul style="list-style-type: none"> • Regular meetings • Qualification and evaluation process
Local Community	<ul style="list-style-type: none"> • Donations of technological equipment to schools • Basic programming notions for schools (Reply Code for Kids)
Trade Unions	<ul style="list-style-type: none"> • Regular meetings
Public Administrations	<ul style="list-style-type: none"> • Institutional documentation
Competitors	<ul style="list-style-type: none"> • Industry conferences • Participation in work groups

MATERIALITY ANALYSIS

With the aim of identifying topics that are significant from a sustainability perspective, in 2018 the Group carried out its first materiality analysis as required by GRI Standards.

This analysis comprised two distinct phases:

1) **identification of the set of topics**, aimed at identifying potentially relevant non-financial aspects with reference to the five areas of Decree Law 254/2016 (environment, personnel, human rights, social, anti-corruption and bribery);

2) **identification of material topics** for Reply following the analysis of relevance for stakeholders (external relevance) and for the company (internal relevance).

In particular, the set of potentially significant non-financial aspects has been defined through:

- an **analysis of sustainability trends at global level**: mapping of the main non-financial aspects taken into consideration by the main stock exchanges that have published sustainability reporting guidelines, sustainability ratings (DJSI, MSCI, etc.), international organizations (GRI, World Economic Forum, etc.), and governments (EU policies, UN reports, etc.);
- an **analysis of industry pressures**: mapping of non-financial aspects highlighted as relevant for the Information Technology industry, taking into consideration publications by international organizations (Robecosam, SASB, etc.);
- an **industry benchmark**: analysis of sustainability reports published by the Group's main competitors.

The next phase focused on prioritizing the universe of non-financial aspects in order to identify the **material topics** for the company and its stakeholders on which reporting was to focus.

The significance of each non-financial aspect for Reply was assessed through **workshops for top corporate management**, sorting topics based on their relevance to the Group. The importance of each topic for the company, as well as the perception of the individuals involved, was also based on the evaluation of:

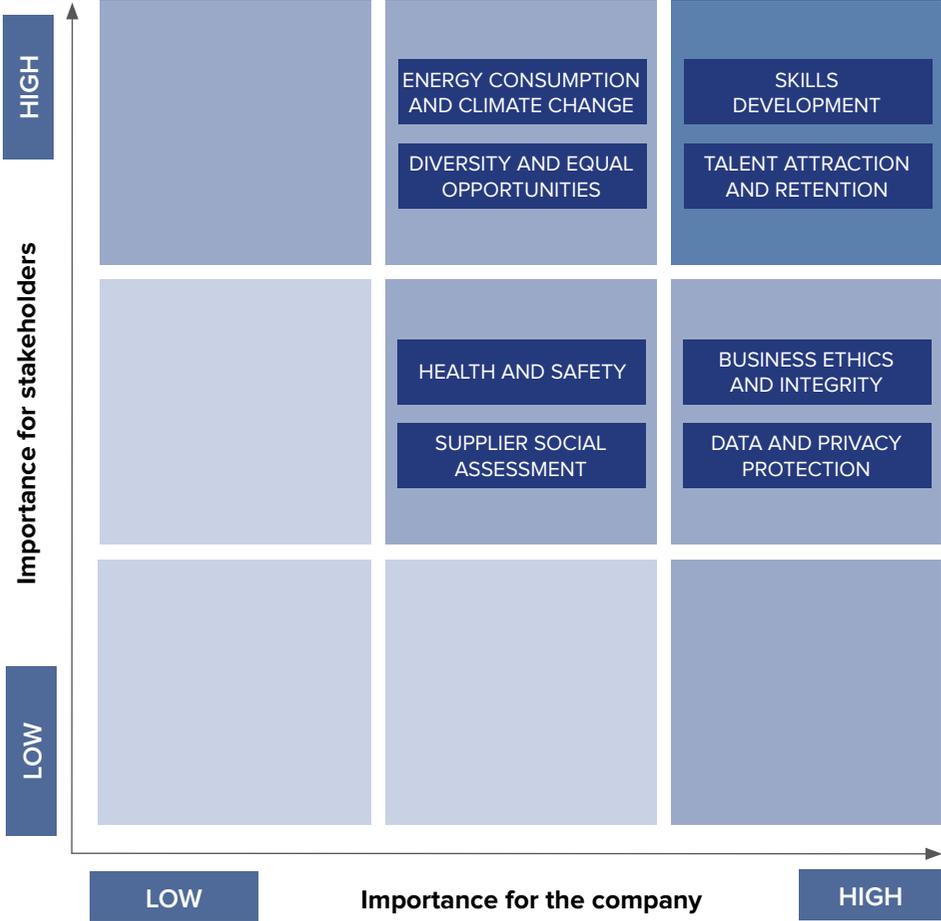
- commitment and policies adopted by Reply with respect to each topic;
- impact of each topic on the company's ability to pursue its objectives and create value over the long term;
- potential risks and/or opportunities that each topic potentially represents for the Group.

To define external relevance for Group stakeholders, the results of the analyses conducted to identify the universe of topics were considered, being representative of the opinions of the Group's main stakeholders.

In agreement with GRI Standards in prioritizing non-financial aspects, the relevance of the impact of each was considered, both within the reporting boundaries and externally, namely along the Reply value creation chain.

Finally, Reply's non-financial material topics were identified by intersecting the relevance of the topics for the Group with those for stakeholders.

FIGURE 6. MATERIALITY ASSESSMENT



In particular, the following results can be noted:

- the most relevant topics both for stakeholders and the company are **“Skills development”** and **“Attraction and retention of talent”**, in line with the industry in which Reply operates and with the importance that know-how and human capital have for business;
- **“Business ethics and integrity”** and **“Data and Privacy Protection”** are two of the most relevant for Reply, above all by virtue of its business and the importance these issues have for its long-term success;
- topics related to **“Energy consumption and climate change”** and **“Diversity and equal opportunities”**, on the other hand, assume importance for stakeholders and reflect the growing impact that these issues assume globally.

The following table shows significant non-financial topics in relation to the areas of the Decree.

LEG. DECREE 254/2016 AREA	MATERIAL TOPIC
Environment	Energy consumption and climate change
Employee matters	Attraction and retention of talent
	Employee health and safety
	Skills development
	Diversity and equal opportunities
Fight against corruption	Business ethics and integrity
Social impact	Data and privacy protection
Human rights	Supplier social assessment

Moreover, it was noted that no impacts were identified as relevant for the external organization boundary.

With regard to the internal perimeter, there is a

limitation relative to the absenteeism rate for the United States, Poland and Romania.

REPORTING PERIMETERS AND STANDARDS

The qualitative and quantitative data and information contained in this NFI refer to Reply Group performance for the year ended 31 December 2018.

The reporting perimeter, consistent with Decree requirements, coincides with that of the Consolidated Financial Statements, namely the companies fully consolidated for the Reply Group financial reporting, with the exception of the following companies:

- COMSYSTO D.O.O.
- FIRST DEVELOPMENT HUB LLC
- REPLY GMBH
- TD CHINA

which, in view of their significance with respect to the environmental and social aspects reported in this document, have been excluded from the perimeter. It should be noted that these considerations do not affect the aim of the NFI, as the aforementioned companies would make negligible contributions to the selected performance indicators, because they are very small and with a limited range of operations, especially compared with the Reply Group as a whole.

During 2018, the following companies were also acquired:

- VALOREM LLC, fully consolidated from April 2018;
- MODCOMP GMBH (later renamed Spike Reply Gmbh), fully consolidated from September 2018;
- ELBKIND GMBH, fully consolidated from December 2018.

These companies were included in the reporting

perimeter of this NFI, except for some cases expressly reported in the note within the text.

For the drafting of its own NFI, Reply adopts GRI Sustainability Reporting Standards (hereinafter also GRI Standards), published in 2016 by the GRI – Global Reporting Initiative. In particular, according to the provisions of GRI Standard 101: Foundation, paragraph 3, this document was prepared in accordance with “GRI Standards: Core”. The performance indicators and the information included in the NFI were collected on an annual basis (January–December) for the years 2016, 2017, and 2018; reporting frequency is on a yearly basis.

CALCULATION METHODS

The chief methods used to calculate performance indicators included in the document are as follows:

- for energy consumption, in particular electricity and natural gas, if site data were not available, a conservative estimate was made, which meant an option tending to less positive environmental performance for the company. In particular, the energy consumption figures available were used to calculate the intensity of consumption compared to the workstations in use in offices and the number of employees, so as to estimate consumption for remaining locations;
- for emissions deriving from the consumption of fuels for leased cars, Reply chose to report them within Scope I since it adopts the principle of “operational control”, whereby direct emissions are considered to be those deriving from assets upon which Reply can exercise control;
- the following emission factors were used for the

calculation of greenhouse gas emissions:

- › **Direct emissions (Scope I)**: for the heating of offices and factories with natural gas and for fuel used by the company fleet, the emission factor taken from the national standard parameters table published by the Ministry of the Environment and Protection of the Territory and the Sea (February 2019 version) was applied;
- › **indirect emissions (Scope II – Location-based)**: for electricity purchased from the national electricity grid in 2018, the emission factors used came from the following sources: ISPRA (2017) for Italy; the German UBA (2017) for Germany; DEFRA (2017) for the United Kingdom; Terna International Comparisons (2016) for all other countries. Emissions from district heating were considered with the emission factor supplied by DEFRA (2018);
- › **indirect emissions (Scope II – Market-based)**: the source used for the residual national mix of European countries is AIB (Association of Issuing Bodies); for the USA the factors published by the Center for Resource Solutions (“2016 Green-e Energy Residual Mix Emissions Rates” and the relative 2018 update); for the countries for which residual mix factors are not available, the same emission factors applied for the location-based approach were used;
- the absenteeism rate was calculated considering absence due to accident, illness, unpaid leave, strikes;
- working hours, where not available, were estimated starting from an average of working hours per employee;

- the injury rate is the ratio between the total number of accidents with absence exceeding one working day and the total number of hours worked, multiplied by 1,000,000. Accident injury dossiers still open are excluded from the calculation of the accident rate;
- the lost day rate is the ratio between the total number of work days lost and the total number of working hours, multiplied by 1,000;
- work days lost represent calendar days lost due to accidents starting from the day following the accident;
- as regards hours worked, in the case of employees for whom this value is not available, an estimate was made based on the hours actually worked by the remaining Reply workforce.

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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	35 - 38	
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GRI 103: Management Approach 2016	103-1 Explanation of the material topic and its Boundary	35 - 38	
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GRI 404: Training and education 2016	404-3 Percentage of employees receiving regular performance and career development reviews	27 - 28	
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GRI STANDARD	DISCLOSURE	PAGE	OMISSION
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	103-2 The management approach and its components	19 - 20	
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GRI 419 Socio-economic compliance 2016	419-1 Non-compliance with laws and regulations in the social and economic area	20	

Consolidated disclosure of non-financial information in accordance with Decree 254/2016

HEADQUARTER

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CORPORATE DATA

Share capital: Euro 4,863,485.64 i.v.

Revenues: 1,035,793,035 €

Fiscal Code and R.I. of Turin no. 97579210010

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of Consob Regulation adopted with Resolution n. 20267 of 18th January 2018

(Translation from the original Italian text)

To the Board of Directors of
Reply S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5 of Consob Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of Reply S.p.A. and its subsidiaries (hereinafter the "Group") for the year ended on 31st December 2018 in accordance with article 4 of the Decree approved by the Board of Directors on 14th March 2019 (hereinafter "DNF").

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined in 2016 by GRI - Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors' independence and quality control

We are independent in accordance with the ethics and independence principles of the Code of Ethics for Professional Accountants issued by the International Ethics Standards Board for Accountants, based on fundamental principles of integrity, objectivity, professional competence and diligence,

confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors' responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company's personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the Reply Group's consolidated financial statements;
4. understanding of the following aspects:
 - o Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
In particular, we have conducted interviews and discussions with the management of Reply S.p.A. and with the personnel of the German subsidiaries of Reply S.p.A. and we have

performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

Furthermore, for significant information, considering the Group activities and characteristics:

- at group level
 - a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
 - b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.
- For the companies Reply S.p.A. and its German subsidiaries, that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the Reply Group for the year ended on 31st December 2018 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Other Information

The comparative information presented in the DNF for the year ended 31st December has not been examined.

Torino, 26th March 2019

EY S.p.A.
Signed by: Alessandro Davi
(Partner)

This report has been translated into the English language solely for the convenience of international readers.

