



REPLY
CONSOLIDATED
DISCLOSURE
OF NON-FINANCIAL
INFORMATION
2017

Reply S.p.A.

**CONSOLIDATED DISCLOSURE
OF NON-FINANCIAL
INFORMATION**

in accordance with Decree
254/2016

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INTRODUCTION

The **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 has been implemented by the **Legislative Decree n. 254** of 30 December 2016 (hereinafter the “Decree”), which requires large-scale public interest entities to publish a consolidated non-financial information (NFI), containing information relating to environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters, to the extent necessary for a complete understanding of the undertaking’s development, performance, position and impact of its activity. 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 governance model (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 2017 reporting year. This NFI was prepared to fulfill the requirements of the aforementioned Decree regarding the non-financial information disclosure.

NFI 2017 reading guide

As required by the Decree, this NFI includes a qualitative and quantitative description of the non-financial performance of the company in relation to the five areas set out in the Decree, detailed in three chapters within the document, namely: **“The Group values and ethical principles”** which refers to the social aspects, to the respect for human rights and to the fight against corruption; **“Attraction and development of talent”** which refers to employee-related matters; **“The respect for the environment”** which refers to the environmental impacts.

Each chapter includes the following information:

- A brief description of the analysis performed to determine the relevance of each non-financial aspect, more thoroughly detailed in the Methodological Note;
- A brief description of the **policies** adopted by the company related to each relevant topic;
- A description of the **governance model** adopted by the group to manage each relevant topic;
- A description of the **key performance indicators** reported to describe the results achieved by the application of these policies.

Moreover, in line with the five areas identified by the Decree, the NFI includes a description of the main **risks**, generated and/or suffered, which derived from the company activities, products, services or trade relationships, including the supply chain (**Non-financial risks and uncertainties to which Reply S.p.A. and the Group are exposed**).

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 industrial groups in defining business models. This is made possible by the new technological and communication paradigms 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 can anticipate market developments and interpret new technological drivers;
- a delivery method of proven success and scalability;
- a network of companies specialised in specific areas of expertise;
- teams composed of specialists from leading universities;
- a highly experienced management team;
- continuous investment in research and development;
- and long-term relationships with customers.

THE ORGANISATIONAL MODEL

Reply operates through a network of companies that specialise in processes, applications and technologies and are centres of excellence in their respective fields of expertise.

Processes – at Reply, the understanding and use of technology involves introducing a new enabling approach for processes, based on an in-depth knowledge of both the market and the specific industrial contexts of implementation.

Applications – Reply designs and implements application solutions aimed at satisfying companies' core business requirements.

Technology – Reply optimises the use of innovative technologies, implementing solutions capable of ensuring maximum efficiency and operational flexibility for customers.

Reply's services include:

Consulting – focusing on strategy, communication, design, process and technology.

System Integration – making the most of the potential offered by technology, combining business consulting with innovative technological solutions and high level value-add.

Digital Services – innovative services based on new communication channels and digital trends.

MARKET FOCUS

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

TELCO & MEDIA

In a world that is evolving towards an increase in digital contacts, the types of relationship with the end customer are drastically changing. The digitalisation of services and the virtualisation of interactions present new challenges in terms of supply, business models and operational processes, often leading to scenarios of cross-industry competition. To counteract this, Reply works with major telecom and media operators to define and implement digital transformation strategies and apply these to the main core processes.

Reply delivers integrated strategic and technological consulting services to support the design, definition and management of the new-generation networks, based on SDN (Software Defining Network) models, capable of integrating and managing virtual networks (Network Virtualisation) through network engineering services and network operations. The solutions developed by Reply are also applied to the network mediation layers used in the automotive world to enable 3G-4G communication between the Service Operations Centre and Network Operations Centre (NOC-SOC) and cars equipped with a black box.

Reply also collaborates with leading European operators in the renewal of Operations Support systems / Business Support Systems (OSS/BSS) to support increasingly more customer-focused service models and an omnichannel configuration of the portfolio offering.

Finally, Reply is involved in the creation and implementation of services and applications designed for latest generation mobile devices. These include on-demand or linear audio/video content, integration with connected products, customer support services and omnichannel customer engagement solutions.

FINANCIAL SERVICES

Reply is increasingly active in supporting the digital transformation of Europe's financial institutions. Reply is working with some of the major players in the sector on many key issues, such as the design of complete multi-channel digital experiences and customer engagement strategies. This work includes everything from digital branding to the implementation of application strategies; the development of a new generation of portals and multi-channel touchpoints to the complete redefinition of the underlying technological architecture; and the analysis of new customer journeys, relying on evolved marketing initiatives with a data-driven focus.

In the wealth management area, Reply maintains a strong market presence and has developed a wide range of specific skills and solutions aimed,

for example, at emerging consulting models and remote advice solutions and platforms. In the area of Governance Risk Control (GRC), Reply operates with a dedicated consulting division and is highly specialised in risk evaluation and risk control. In this field, Reply is working with several leading financial institutions on a broad range of activities connected with the implementation of European Banking Union standards and on the development of related models and solutions.

Another area in which Reply boasts a strong presence and a high level of specialisation is the mobile payments realm and related m-commerce services. Reply offers consulting services, as well as a wide range of models and architectural solutions based on different standards, technologies and usage profiles, aimed at the banking/insurance market and at emerging players in the payments industry. Where relevant, Reply takes advantage of the new opportunities offered by the PSD2 legislation.

IoT solutions represent another theme of great interest to Reply, in particular applied to the auto, home and health insurance sectors in which the company is active with cutting-edge projects for a number of key players.

MANUFACTURING & RETAIL

Reply partners with companies in this sector to support them through 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 are on the support of supplier relationship 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.

Native Cloud platforms and applications, together with a focus on the enabling aspects of digital transformation, represent the main technological component of Reply's portfolio offering.

Industry 4.0 and Logistics 4.0 are increasingly important elements for the strategic development of companies in the sector. In particular, the introduction of greater levels of flexibility on the shop floor is a new competitive challenge for processing companies. In 2017, Reply significantly increased its product offer in this area. The porting reengineering on the Cloud platform of proprietary SCE and MES solutions was completed. Using IoT, cloud computing and big data models, communication to the latest generation of sensors on production lines and within products was further boosted, creating a backbone for the next generation of applications in the logistics and manufacturing sector.

For the retail market, Reply has defined a specific line of offer that combines consulting services with the

design and development of integrated web, mobile, call center and in-store services. The centrality of the customer is a fundamental theme in which digital devices, the innovation of digital channels and physical places come together to create a unique user experience, engaging and consistent.

ENERGY & UTILITIES

In 2017, the energy and utilities sector confirmed the growth of innovative technologies on an industrial scale, across the entire value chain. Driven by market and regulatory pressures, operators are firmly investing in the digitisation, programming optimisation and operation of installations for the generation, transport and distribution of electricity.

Reply is one of the key partners delivering extensive transformation for companies operating in the sector. It combines knowledge of the market and of its unique processes, with a distinctive capability to design, implement and manage applications and technological solutions, supporting the “core business”; trading and risk management; pricing and forecasting; smart metering; billing; and CRM areas. Moreover, the company’s consolidated expertise in the introduction of new technologies (IoT, big data, cloud, mobile, etc.) is vertically applied, with dedicated and highly focused teams, to operating models for the various areas of the energy and utility value chain, and in particular in the definition and development of new smart metering, electric mobility, monitoring and optimisation of systems, smart grid and asset and work management models. Finally, Reply also assists its customers in the adoption of

new energy management models aimed at boosting energy efficiency, a field in which it provides a complete portfolio offering, aimed at both energy sales companies and final consumers.

HEALTHCARE & GOVERNMENT

Telemedicine or digital healthcare, a realm that is expected to move therapies and patient monitoring increasingly out of the hospital environment, represents an important area of specialisation for Reply. The key areas that can potentially impact the organisational model are telemonitoring at the patient’s home; and electronic prescriptions and healthcare for the management of patients suffering from chronic diseases. Reply has developed a specific platform for these areas, designed to facilitate an integrated network of communications between patients and community operators at various levels: hospitals, nursing homes, healthcare centres, community centres and more.

Lastly, Reply is working with various government agencies in the United Kingdom, including the Ministry of Defence (MoD), for which it has helped define and implement a new approach in the use of IT architecture. Designed to support decision-making processes, this new architecture is capable of integrating flows of heterogeneous information to improve data management and, at the same time, ensure the complete visibility of available resources.

THE VALUE OF PEOPLE

Reply is based on the excellence of the people who make up its diverse team, professionals from the best universities and polytechnics in the sector. The 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, 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. In particular, the areas of interest are: computer science, computer engineering, electronic engineering, telecommunications engineering, managerial engineering, economics and business. The relationship between Reply and universities is also developed through regular collaboration in the form of 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 and study new solutions allows innovation to occur more rapidly and efficiently. Anyone who decides to become a part of the "Reply world" will find the opportunity to best express their potential in an organisational model based on culture, ethics, trust, honesty and transparency.

These are indispensable values for continuous improvement and for an ever-increasing attention to quality in one's work.

All Group managers focus daily on upholding the principles on which Reply has always depended and which have sustained the company during its growth.

THE REPLY TEAM

- Sharing the customer's objectives;
- professionalism and speed of implementation; and
- culture and flexibility.

Excellence: the underlying culture, study, attention to quality, seriousness, the creation of value from results.

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

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

Innovation: imagination, experimentation, courage, study, the search for improvement.

Speed: method, experience in the management of projects, collaboration, commitment in achieving results and customer objectives.

CORPORATE GOVERNANCE

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 2015, 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 website www.reply.com. - Investors – Corporate Governance.

The Corporate Governance Code is available on the website of Borsa Italiana S.p.A. www.borsaitaliana.it. 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 law, the Remuneration Policy forms the first part of the Report on Remuneration and will be submitted to the review of the Shareholders’ Meeting called to approve the 2017 financial statements.

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

In addition to the risk factors reported in the “Main risks and uncertainties to which Reply S.p.A. and the Group are exposed” in the Report on Operations,

the table below shows the main risks, generated or suffered, related to the five areas of the Legislative Decree 254/16, deriving from the company's activities, its products, services or business relationships, including, where relevant, supply chains and independent contractors.

D.Lgs. 254 areas	Risk description	Mitigation actions
EMPLOYEE MATTERS	<p>The Group's success is largely dependent on some key figures that have made a decisive contribution to its development, such as the Chairman and the Executive Directors of the Parent Company Reply S.p.A.. Reply also has a leadership team with many years of experience in the sector with a decisive role in the management of the Group's business. The loss of any of these key figures without an adequate replacement or the inability to attract and retain new, qualified personnel could therefore have an adverse effect upon the Group's business prospects, earnings and financial position.</p>	<p>Reply has an operational and managerial structure capable of ensuring continuity in the social affairs governance.</p>
	<p>The ICT service segment in which the Group operates is characterized by rapid and significant technological changes and by constant evolution of the composition of the professionalism and skills to be combined in the realization of such services. Therefore, Reply's business is based on the capability of attracting and retaining new and qualified resources, as well as the ability to define adequate training plans to provide its staff with all the necessary tools to develop innovative solutions. The inability to attract resources and to prepare suitable training programs could have negative effects on the Group's future prospects.</p>	<p>Reply works constantly with numerous universities and research centers, at the nation and international levels, by promoting the company through initiatives as ReplyU and Student Tech Clash. Reply has created a platform for document archiving and for sharing insights, links, opinions and documentation. It stimulates the continuous updating of its employees on the most recent development in the ICT sector.</p>

D.Lgs. 254 areas	Risk description	Mitigation actions
EMPLOYEE MATTERS	The Group is constantly committed to ensure respect for diversity and equal opportunities among the employees. However, the absence of a specific policy to manage these aspects could lead Reply to be unprepared to respond to any legislation or regulation on this matter (current or future).	Reply communicates and requests the acceptance of its Code of Ethics to all the Group employees and independent contractors.
	Although the activities carried out by the Group do not involve a high risk for the safety of employees and independent contractors, it is important to guarantee a health and safe working environment. Failure in the compliance of health and safety regulations could result in non-compliance with the applicable legislation, and ultimately have negative effects on the Group.	In the Italian offices Reply manages health and safety of workers through practices and procedures inspired by the OHSAS standard 18001. Some Group companies approved specific Health and Safety Policies, when required by the legislation or due to some market practices.
ENVIRONMENTAL MATTERS	In most cases, Reply Group does not own the buildings where its offices are located. This condition does not allow the company to operate directly on energy efficiency measures that could eventually generate financial benefits or improvements of the environmental performance. Furthermore, the absence of an emissions management program could expose the Group to a potential reputational risk, especially if it is required to report on its environmental performance.	Reply Group has defined and disclosed an Environmental Policy. Reply answers to the Carbon Disclosure Project (CDP) Supply Chain questionnaire.
	Reply Group, in the course of its business activities, produces waste, including special waste (e.g. WEEE), whose disposal is subject to specific legal requirements. In the lack of a program for monitoring the waste disposal methods, the Group might not comply with the current legislation.	Reply sends its electrical and electronic waste to external authorized companies for proper disposal. Reply recovers functioning computers that are no longer used, and donates them to schools that are located near its main Italian offices.

D.Lgs. 254 areas	Risk description	Mitigation actions
RESPECT FOR HUMAN RIGHTS	To deliver its services, Reply Group can integrate independent contractors in its own teams. The lack of a process for evaluating the independent contractors for their ethical practices, such as the respect for laws, human rights, corruption and social responsibility, during the selection process, could expose the Group to long-term negative effects.	Reply requires independent contractors to explicitly accept their Code of Ethics. The Group applies administrative processes that guarantee stringent checks on independent contractors.
	Reply Group is committed to promote human rights protection by avoiding any form of discrimination. However, the absence of a policy to avoid and manage incidents of discriminations could increase the likelihood of having incidents that are not in line with internal and external regulations.	Reply has implemented an internal reporting system through which employees can report to the Supervisory Body any irregular behavior or violations of applicable regulations and internal procedures (<i>whistleblowing system</i>).
SOCIAL MATTERS	Reply Group, in delivering services to third parties (B2B), deals with confidential information. The inadequacy of the systems and procedures that guarantee the protection of such data could lead to their loss and cause negative effects for the Group.	Reply adopted policies and procedures to ensure the correct use of customer data by employees and independent contractors. Reply Group Compliance Department conducts periodic audits to verify the correct application of existing procedures.
	Reply Group operates in a highly competitive market. Thus, it could suffer damages from competitors who adopt anti-competitive behaviors. On the other side, if one or more of the Group companies adopt commercial and competitive practices that are not in line with the company ethical values or regulations, they could generate a potential damage to the entire Group.	Reply requires the acceptance of its Code of Ethics by all of its employees and independent contractors, and periodically controls its application. Reply promotes a business culture based on ethical principles established by the top management - "Tone at the top".
	Reply Group has employees and independent contractors located in different geographical areas. The absence of ethical values shared by all of the Group's employees could lead to the occurrence of episodes that are not in line with current regulations, generating negative effects for the Group.	

D.Lgs. 254 areas	Risk description	Mitigation actions
ANTI-CORRUPTION AND BRIBERY MATTERS	Reply Group establishes business relationships with other companies, therefore its employees are potentially vulnerable to episodes of corruption and bribery.	<p>Reply Group adopted an Organizational, Management and Control Model in accordance with the Legislative Decree 231/2001 (hereinafter also referred to as MOGC 231). All of the employees receive training on MOGC 231 and Code of Ethics.</p> <p>Reply carries out periodic risk assessments for those areas that are more exposed to corruption risk.</p> <p>Reply has formalized the “Policy of Presents, Entertainment expenses, Sponsorships” to control these events according to principles of ethics and correctness.</p> <p>Reply performs specific cost-benefit analysis on all contracts that involve independent collaborators, which could be responsible for corruptive behavior.</p>

THE GROUP VALUES AND ETHICAL PRINCIPLES

THE CODE OF ETHICS

Reply and its subsidiaries, in order to ensure that their activities are based on principles of proper conduct and transparency, have adopted a Code of Ethics, approved on 28 March 2008, which has been distributed and communicated among the Countries in which the Group operates.

Purpose of this Code of Ethics is to ensure that the Reply Group's key ethical values are clearly established, to form the foundations of the Group's business culture and to set a standard for the conduct of the Group's staff in their business and non-business activities. The document is intended for all the Group's stakeholders, which are: shareholders, employees, independent contractors, suppliers, customers and business partners.

Reply's and the Group's ethical principles are: **professionalism and trust** of its personnel, **legality and honesty** of the Group activities in compliance with current legislation, **impartiality, prevention of potential conflicts of interest, integrity and transparency** of all of the actions taken by the Stakeholders.

Furthermore, the Code of Ethics explains the rules of conduct that defines Reply's relationship with its stakeholders.

The relationship with **employees** is developed through the specialization of employee skills, attention to quality and collaboration in order to achieve objectives and by constantly assessing the contribution of each resource to business results. The **independent contractors and consultants** are required to act loyally and in compliance with the obligations imposed by their respective contract

and the Code of Ethics, working diligently to protect company assets.

The Group is committed in achieving maximum results in order to protect and ensure the safety of the workplace and the health of **workers** and act in respect of local and national communities and contributes to the disclosure of and awareness of sustainable development issues.

Furthermore, the 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. Relations with institutions are based on legality, transparency, clarity and integrity in compliance with current applicable legislation.

Relationships with **customers** are founded on the sharing of objectives, in a spirit of professionalism, responsibility and integrity. The Group's collaborators shall therefore pursue to maintain and develop, at the highest standards, existing relationships in order to satisfy the customer's reasonable expectations, this shall be monitored on a regular basis.

The selection of **suppliers** and the stipulation of the terms and conditions for the purchase of goods and services for the Group companies shall be dictated by values and criteria of legality, competition, integrity, impartiality, fairness of prices, quality of goods and/or services, with a careful evaluation of product warranty and range of offers.

The **security of information systems** is one of the requirements that is 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 the

processed information as well as the effectiveness and efficiency of the services rendered by the Group. Protection of data and the associated elements is ensured if the following are preserved:

- confidentiality of data, which shall only be accessible to authorized people;
- integrity, that is to say completeness of data and of data transfer methods;
- availability of data, granting authorized users access to the data and to the elements that process such data whenever necessary.

Reply Group, in conducting its business activities, mainly focuses on principles such as transparency and honesty, respecting the expectations of the various stakeholders and the regulatory provisions. In this regard, the main aspects for the Group relate to the regulatory compliance, the protection of customer's data and the responsible management of its independent contractors.

COMPLIANCE AND ANTI-CORRUPTION

To maintain its business relationships with private and public entities, Reply considers essential the respect of the applicable regulation, also in relation to anti-competitive practices, anticorruption and bribery.

At present, the Group has considered the adoption of a formal policy that clearly states the Company's principles in relation to its conformity with the applicable regulations unnecessary, as they are inherent with the business culture and because of the different local regulations in place. These principles are disclosed in the Code of Ethics of the Group.

In relation to corruption, even if a formal and specific policy does not yet exist, Reply has adopted, at corporate level, the Organization, *Management and Control Model* in accordance with the Legislative Decree 231/2001, a structured and consistent system of procedures and control activities, with the purpose of preventing, whenever possible, any non-compliant behavior, also in relation to corruption.

Each Group company is responsible for putting in place the abovementioned Model in relation to the activities that the company manages that could be potentially at risk.

It is mandatory for all of the Group's employees to respect the MOGC 231 and the related procedures, that specify the operational conditions for the execution of the different business processes. These procedures have been adopted to strengthen the internal control system, in particular those related to offences for corruption and corporate crimes. To verify the effective application of these procedures, the Group periodically conducts internal audits. Moreover, in each Country where the Group operates, specific channels to report corruption episodes are in place.

Among the processes with risk of corruption the management of entertainment expenses, gifts, sponsorships and donations has been identified according to the MOGC 231. For this reason, the Group has formalized the "Policy of Gifts, Entertainment Expenses, Sponsorships" at Group level, where mandatory guidelines are reported in order to avoid behavior not in line with the legislative provisions and the internal rules.

Indicators

In 2016 and 2017 no episodes of corruption have been registered in any company of the Group, nor have legal actions been initiated due to corruption, anti-competitive or monopolistic related reasons. Moreover, no monetary or non-monetary sanctions due to the violation of any socio-economic laws or regulations have been registered.

Training on the anti-corruption policy is provided upon hiring of employees therefore in 2016 and 2017 it was mainly focused on new employees. More specifically, in 2017 training involved 4% of the managers and 22% of the staff, in addition to the 9% of managers and 30% of the staff already trained in 2016.

In addition, as of 31 December 2017, 100% of the employees of Region 2 subscribed the Code of Ethics; in Region 1 the percentage reaches 94%; while in Region 3 it reaches 77%. Furthermore, at Corporate level, the Code of Ethics has been accepted by 97% of the executives, 95% of the managers and 93% of the staff.

Regarding suppliers, together with the acceptance of the contract, they are requested to sign a Master Agreement, applied at Group level, that requires the acceptance of the principles expressed in the Code of Ethics.

DATA PROTECTION

The ICT security is a fundamental requirement for ensuring the reliability of the information 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 to preserve:

- confidentiality of data, which shall only be accessible to authorized people;
- integrity, that is to say completeness of data and of data transfer methods;
- availability of data, granting authorized users access to the data and to the elements that process such data whenever necessary.

As part of the IT security management, in 2017 the Group has updated the **ICT Security Policy** in order to provide a set of indications for a correct and secure management of the information related to the project activities carried out internally or at the Customers' premises, in compliance with the requirements of the main standards.

The policy uses international best practices such as the ISO standard 27001, which defines the requirements for setting up and managing an information security management system.

The following subjects are defined within the ICT Policy:

- **information security responsibilities** of Reply's ICT and more generally of the personnel involved in the central information system management, the individual operative companies and Reply personnel;
- **asset management** (for example server, laptop, etc.), to ensure that assets are identified and classified in order to make the company fully aware of their existence and can implement appropriate measures to protect them;
- **logical access control**, in order to prevent unauthorized processing of information through the definition of correct access modalities for users;
- **physical security of information assets**, to

ensure the physical security of information preventing unauthorized physical access to the organization's sites/workspace and guaranteeing a suitable security level of the information processing facilities;

- **operative management of systems, network and telecommunications**, to ensure the achievement of a high level of logical security for the information processed through information infrastructures;
- **system development**, maintenance and acquisition, to ensure that IT systems (applications, operational systems, middleware, etc.) are developed or acquired and maintained ensuring integrity, confidentiality and availability of the information;
- **relationship with third parties and outsourcers**, to ensure business assets security also when third parties/outsourcers are involved, monitoring their access to information and working areas;
- **security incidents management**, to ensure the design and implementation of solutions for the identification and management of unexpected events or incidents, taking into account the need to maintain a proper level of continuity despite unforeseen events that may highly impact business activities;
- **business continuity management**, to ensure the continuity if ICT services that must also be available in emergency situations;
- **compliance**, to guarantee that Group's operations and information security management are carried out in compliance with standards, regulations and contracts stipulated with third parties.

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

The Group formalized a policy related to the **behavioral rules and regulations for the secure management of assets and information** to define the rules that must be respected by all personnel in order to guarantee that the assets made available by the Company (premises and physical resources, paper document, ICT tools and company services) are used in a proper and secure way. The policy was applied taking into consideration the local law requirements of the European countries in which the Group's subsidiaries are based.

The privacy management system is being updated to meet the new EU regulations 2016/679 GDPR (European Data Protection Regulation), which will come into force on 25 May 2018.

At the operational level, the security of the central information systems is guaranteed by implementing specific measures aimed at reducing the risks to which the information assets are exposed.

The Compliance department supports Group companies for customer requests regarding data protection and privacy with a specific focus on contracts and Data Processing Agreements. The function is also responsible for carrying out internal audits for the Group subsidiaries on a regular basis or for specific needs.

Furthermore, the Group has formalized procedures to follow in case of reuse or disposal of hardware containing data processed by the Group. The purpose of this procedure is to prevent any possibility of access, use and unauthorized disclosure of data contained in hardware that are reused, resold, returned in case of a lease, discontinued or more generally used for different purposes or by different owners.

The procedure details:

- the processes of re-using or disposing the hardware, with reference to the activities carried out by Reply IT ICT, and Reply employees in charge of the activities and the related responsibilities;
- the secure erasing methods for each type of hardware;
- the methods of demagnetization and physical destruction of hardware;
- the criteria for selecting the suppliers in charge for the hardware destruction and disposal.

The Group carries out training activities to build awareness among the employees and top management regarding data protection and privacy. The main courses are: the “Awareness” training course (for executives), e-learning courses (for all the employees) on the GDPR and generally on IT security, and the “Simulated Phishing” initiative aimed at increasing staff awareness on data protection risks.

Indicators

During 2016 and 2017, no claims related to breaches of privacy or client data losses have been registered.

MANAGEMENT OF INDEPENDENT CONTRACTORS

The selection process and the focus on building honorable and long-lasting relationships with independent contractors is essential to the Group. They work both at Reply's and Clients' offices; thus they are assessed and managed carefully. To this end, the Group has a process for the selection, assessment and qualification of the independent contractors to monitor their level of performance and encourage their continuous growth.

Social and ethical aspects, such as health and safety, punctuality in payments, social contributions and compliance with workers protection, are included in the terms and conditions that independent contractors accept and sign. Moreover, periodic audits are carried out and the Modern Slavery Statement policy has been adopted by the companies whether they are located in countries where the legislator has identified the risk of modern slavery.

In all contracts, independent contractors and suppliers are required to accept and apply the Group's Code of Ethics.

Indicators

The new suppliers that were screened using social criteria are 47% in 2016 and 42% in 2017.

RESEARCH AND DEVELOPMENT OF TALENT

Reply's success and growth are unrelenting thanks to the commitment and excellence of the people who work in the Group's 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 constantly invests in their growth and enhancement, guaranteeing career paths and creating the conditions for a collaborative and motivating work environment. In a competitive and evolving scenario, Reply's employees, with their bright imagination, experiment and research new solutions, support the business development and increase the Group's ability to constantly improve and face new challenges. The values of professionalism, rapidity, flexibility, innovation, attention to quality and sharing of client's objectives, are the essential core of the Group's policies related to human resources management. Currently, the Group expresses its goals of developing and enhancing the skills of its personnel through concrete actions, which are not actually formalized in a company policy because considered unnecessary due to the sharing of common goals at all corporate and company levels.

In carrying out its business activities, the company is committed to promote the protection of human rights, avoiding any form of discrimination based on ethnicity, gender, sexual orientation, physical and health conditions, disability, age, nationality, religion or personal opinions.

In order to avoid and prevent any incidents of discrimination, an internal whistleblowing system has been activated, for reporting any irregular behavior or violations of the applicable regulations and internal procedures. The Supervisory Body is

responsible for the system and the anonymity of the reports is guaranteed.

In order to promote knowledge sharing activities and corporate welfare, the "Reply Social Network" division has been established encouraging employees ("Replyers") through formal and informal learning paths and activities, by using digital channels and events.

Talent attraction and retention are extremely important processes for Reply. Thus they are performed in full compliance with all applicable laws and regulations, respecting the principles of transparency and meritocracy based on candidates and employees' skills, competences and professionalism.

Reply acquires the best talents through privileged relationships with several universities and research centers in Italy and Europe, in order to enrich its workforce with qualified staff.

Different activities have been developed to involve students such as "**ReplyU**", an initiative of employer branding to introduce Reply to university students from all over Europe, and "**Student Tech Clash**", a contest among universities to stimulate competition through creativity and the development of innovative projects.

Reply Social Network also includes a knowledge-sharing platform that was built to share insights, links, documentation and communications related to events and trainings. The events can be attended by all Replyers and consist in seminars and workshops during which the best projects delivered to clients and the best research and innovation experiences are presented.

Among the training activities, **Reply Social Network** is an instrument used to promote and manage all the courses dedicated to **communication skills** and **soft skills**.

Concerning technical training, it is not managed at corporate level but it is organized locally by the individual Group companies, in order to respond accurately to the specific training needs.

Reply pays close attention to the protection of its employees' health and safety, both by implementing the necessary measures to guarantee a safe working environment and by providing training and spreading information aimed at effectively preventing and managing the professional risks associated with business activities.

The Group companies, in their respective corporate structures, are committed to comply with the internal regulations on safety condition for workers and to form and extend across the Group the existing procedures.

The health and safety management of all the Group companies operating in Italy is guaranteed through the application of a model inspired by the international OHSAS standard 18001.

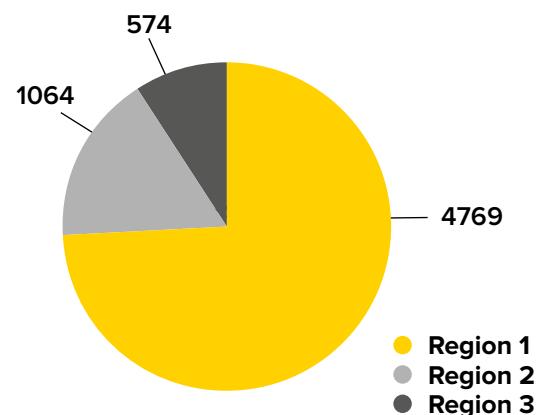
In order to ensure compliance with the current regulations in individual countries, the Parent Company has initiated an audit process in some subsidiaries of the Group.

Indicators

With regards to the workforce composition, Reply Group at 31 December 2017 consists of 6,407 employees¹, with an increase of 7.7% compared to the previous year. The presence of female - from 1,547 in 2016 to 1,643 units in 2017 - is equal to 26% of the total workforce.

The distribution of the employees across the Regions where the Group operates is represented in the following chart.

FIGURE 1. NUMBER OF EMPLOYEES BY REGION²



Reply considers the establishment of stable and long-lasting employment relationships essential to support the employees' growth: in 2017 over 99% of employees in Regions 1 and 3 and around 98% in Region 2 were hired with permanent contracts, with

1 In accordance to the countries included in this NFI. See the Methodological Note for further information.

2 Region 1: Italy, USA, Brazil, Poland, Romania

Region 2: Germany

Region 3: United Kingdom, Luxemburg, Belgium, Nederland, France

a stable trend compared to the previous year, as a proof of the company's attention to the protection of employees' stability. Moreover, women hired with a permanent contract are 99%. Almost all of the employees, precisely 97%, have a full-time contract and among these, 24% are women.

In addition to the permanent employees, there are independent contractors and interns that are involved in training and/or professional placement paths by the Group companies. In 2017, Reply employed an average of 3,289 collaborators, with an increase of 15% compared to 2016. The external staff mainly deals with software development and assistance on ICT systems.

All of the employees hired in Italy, France, Belgium and Brazil are covered by collective bargain agreements; however, this practice is not applied in the other countries in which Reply operates, as it is not foreseen by local legislation.

The management and optimization of human capital is realized through the integration and the respect of equal opportunities and diversity, which represent the essential assets to innovate ideas and processes and better address and manage market challenges.

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

CATEGORY	AGE GROUP	2016		2017	
		MALE	FEMALE	MALE	FEMALE
Executive	under 30 years old	0%	0%	0%	0%
	30 - 50 years old	3%	1%	3%	1%
	over 50 years old	1%	1%	1%	0%
Manager	under 30 years old	0%	0%	0%	0%
	30 - 50 years old	10%	5%	11%	6%
	over 50 years old	2%	1%	2%	1%
Staff	under 30 years old	30%	37%	30%	37%
	30 - 50 years old	51%	51%	50%	51%
	over 50 years old	3%	4%	3%	4%
Total		4,401	1,547	4,764	1,643

The Board of Directors of Reply S.p.A. consists of six male and one female over 50 years old, and one male and one female aged between 30 and 50 years.

Reply is committed to promote the protection of human rights, avoiding any form of discrimination based on differences in race, gender, sexual orientation, physical and health conditions, disability, age, nationality, religion or personal opinions. No episodes of discrimination were reported in 2017 and in the previous year.

Reply Group constantly evaluates the individual contribution of all employees towards the company's performance, by comparing the pre-determined targets and the achieved objectives, the actions taken and tasks performed, as well as by evaluating the competencies and quality of the employees. During 2016 and 2017, the centralized personnel assessment system allowed the performance evaluation of almost all the employees.

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

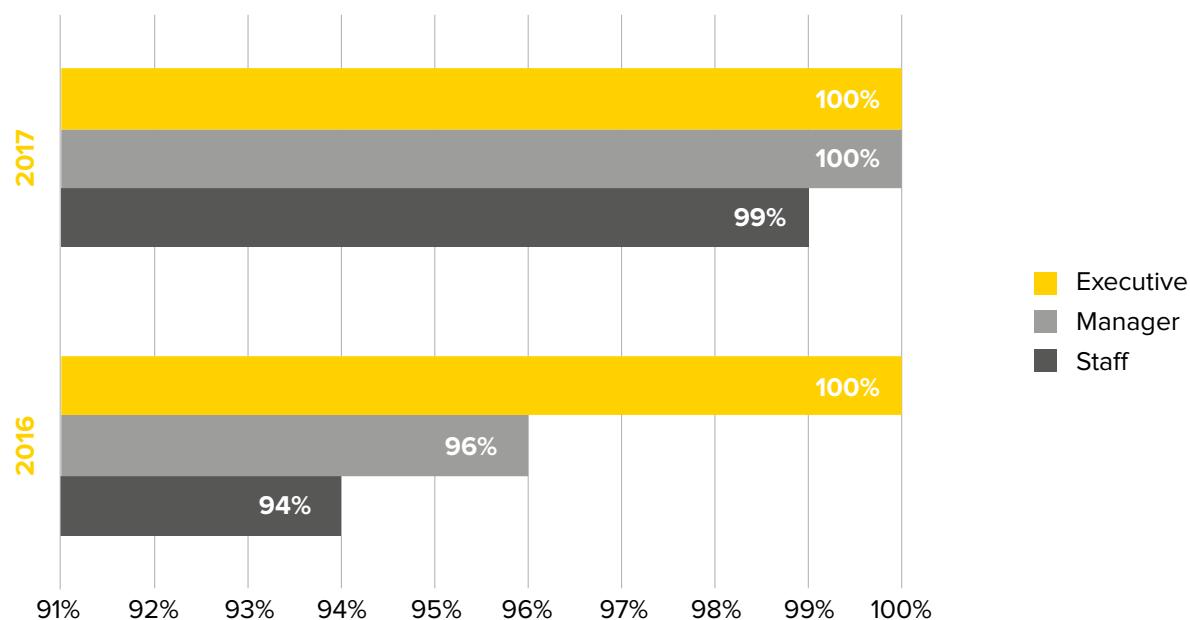
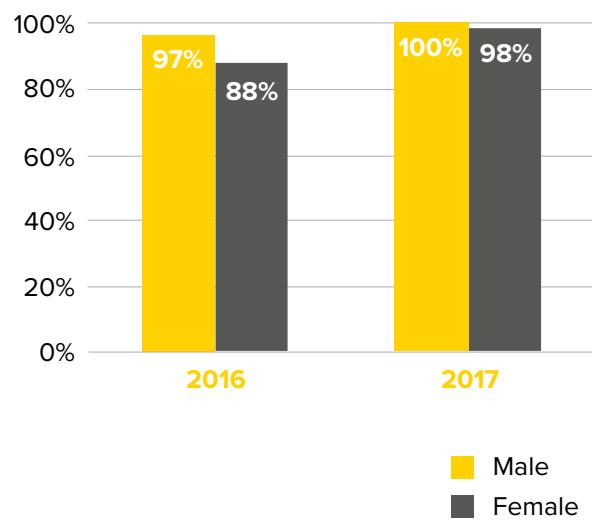


FIGURE 3. PERCENTAGE OF EMPLOYEES RECEIVING REGULAR PERFORMANCE REVIEWS BY GENDER



Training and professional development are constantly promoted by continuous education activities. For this reason, in 2016 and 2017 Reply invested heavily in skill development programs and support activities for professional career development, including induction and onboarding courses, specialization and technical updating courses and soft skill workshops.

Furthermore, in order to increase the retention and the general wellbeing of employees, Reply ensures benefits that vary throughout the countries, according to local regulations.

In the countries in which the Group companies operate, there is no significant difference in the allocation of benefits for the different types of contracts (permanent, temporary or part-time).

With respect to health and safety of the employees, the injury rates are shown below with a breakdown by Region.

Most of the registered accidents (about 93%) are commuting injuries (home-to-work transfer).

- **Region 1:** The number of injuries that occurred in 2017 is 17 for male and 9 for female. The lost day rate for men is 2.8, while for women is 4.6. The injury rate for men is 0.05, while for women it is 0.2. The absentee rate has not changed if compared to 2016 and it is around 3% for women and 2% for men. No occupational illnesses have been registered during 2017.
- **Region 2:** There were no injuries or occupational illnesses during 2017. The absentee rate is around 3% for men and 4% for women, it grew by 1% compared to 2016.
- **Region 3:** There were 2 injuries during 2017 (one happened to one man and one woman). The lost day rate for men is 1.8, while for women it is 4.8. The injury rate for men is 0.01, for women it is 0.2. The absentee rate is around 2% for women and men. There were no occupational illnesses during 2017³.

³ 2016 data for France, Belgium, Netherlands and Luxembourg are not available.

RESPECT OF THE ENVIRONMENT

As specified in the Code of Ethics, the Group is committed to manage its business activities by paying special attention to environmental issues, contributing in spreading the culture of sustainability while respecting future generations.

Reply is mainly organized by offices and most of the services are delivered by employees directly at clients' premises. For this reason, the environmental impacts are mainly limited to waste management (particularly electronic and electrical waste), consumption of energy resources (for office heating and lighting) and the consequent impact on climate change.

Although in most cases the Group does not own the offices in which it operates and it is not able to directly implement energy efficiency measures, it has implemented an environmental policy to outline the guidelines for reducing and monitoring the impacts that the company activities generate on the environment, including the aspects related to the energy consumption and the GHG (green-house gases) emissions.

Within the policy, through the analysis of the external and internal context in which the Group operates, particularly referring to the policies implemented by the European Union and some international organizations (i.e. GHG Protocol, Carbon Disclosure Project), the main environmental impact areas and related mitigation tools are identified. Among them, the main ones are:

- the **GHG Emissions Control Program**, inspired to the Carbon Disclosure Project (CDP), has been applied to monitor the impacts in terms of GHG emissions, to implement measures to mitigate GHG emissions and to meet stakeholder expectations;

- the **Environmental Management System** (applied to a large portion of the companies and major sites in Italy), inspired by the UNI EN ISO 14001:2015, to minimize the negative impacts on the environment, in order to comply with applicable laws and promote continuous improvement.

The main guidelines defined within the policy and intended for all the employees, are divided into the following categories: document printing, recycling of materials, energy savings, efficiency, transport and resources consumption reporting. For each of these, guiding principles for environmental protection are defined, such as using public transport, choosing devices with high energy efficiency, saving on printing or being compliant with separate waste collection in offices. They should inspire and steer behaviors at all levels, both individual and company-wide.

The **environmental policy** also identifies roles, responsibilities, tools and activities to be implemented for monitoring impacts, raising awareness about environmental issues, encouraging communication and reporting.

Furthermore, in the context of sustainability, reduction of waste, recycle and reuse of materials, Reply fully recycles functioning computers that are no longer used and makes them available to schools located in the surroundings of the main Italian offices (Turin and Milan).

On one hand, this initiative allows to produce a smaller quantity of technological waste, which is difficult to dispose while, on the other, it allows to make computers available for educational purposes.

The initiative was formalized in 2017, with the signing

of an agreement between Reply, the Municipality of Turin and the Polytechnic University. The agreement enables the company to provide 100 computers per year to schools in Turin.

Energy consumption

The energy consumption of the Group refers to:

- **Electricity**, sourced from the national grid, for the operation of the lighting systems of offices, as well as for technological and IT equipment (computers, printers, servers, data centers).
- **Natural gas**, for the operation of the heating systems installed in the Reply offices, whose

consumption is strictly linked to the volume of the company's activities and offices.

- **Diesel and gasoline**, for powering the corporate fleet.
- **District heating**, for heating offices and/or for producing hot water by reducing the environmental impact. District heating is used mainly in Italy and Germany.

The table below shows the energy consumptions by type in 2016 and 2017.

TABLE 2. ENERGY CONSUMPTIONS BY TYPE

TYPE OF CONSUMPTION	UNIT OF MEASURE	2016	2017
Electricity ⁴	kWh/years	9,438,714	9,571,010
Natural gas	m ³ /years	1,261,559	1,417,462
Diesel	l/years	1,567,325	1,630,992
Gasoline	l/years	150,119	210,934
District heating	kWh/years	3,209,612	3,678,126

⁴ The percentage of electricity produced from renewable sources depends on the specific national electricity production mixes.

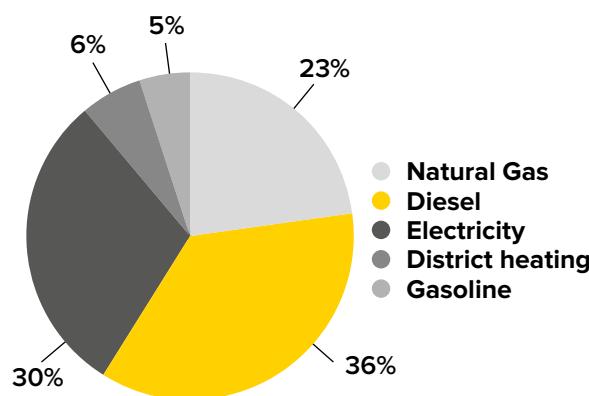
The data reported generally show an increase in energy consumption for all the categories. This is mainly due to the organization growth in terms of activities managed, the workforce increase and the office expansions.

GHG emissions

As previously mentioned, the Group's greenhouse gas emissions are those related to an office-based organization and, consequently, they are due to the use of fossil fuels for heating, running vehicles and to the purchase of electricity produced by third parties. The emissions deriving from Reply's activities are therefore very limited and linked to traditional assets such as electrical and thermal plants.

The graph below shows a breakdown of total greenhouse gas emissions by the individual sources; it appears that the main contribution derives from the consumption of electricity for offices, technological and IT equipment, from the building heating systems and from diesel consumption for the corporate fleet.

FIGURE 4. CO₂EQ EMISSION (SCOPE I AND II) BY SOURCE IN 2017



The following table shows a comparison between the GHG emissions in the last two years for the Scope I category (direct greenhouse gas emissions, deriving from the consumption of natural gas, diesel and gasoline), and the Scope II category (indirect energy emissions calculated from the consumption of electricity and district heating).

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

SCOPE	UNIT OF MEASURE	2016	2017
Direct greenhouse gas emissions (Scope I)	ton CO ₂	7,077.8	7,751.4
Energy indirect greenhouse gas emissions (Scope II)	ton CO _{2eq}	4,305.4	4,417.7

By comparing 2016 and 2017 data, as for energy consumption, CO_{2eq} emission appears to be slightly increasing; particularly, it increased by 10% for Scope I and by 3% for Scope II.

Waste production

The waste production in Reply is typical for an office-based organization and usually does not constitute a specific risk for the environment.

The main categories of waste produced by Reply are hardware equipment such as computers, printers and servers and the related materials (e.g. toner, paper), municipal waste (e.g. plastic, paper, cans) and packaging (e.g. cardboard); no Group company produces waste classifiable as hazardous according to specific local regulations. As a result, no particular waste management processes are defined: typical procedures for delivering the correct disposal/recycling of materials, according to local legislation, are implemented.

The Group carries out the separate collection of materials and has defined specific policies to address virtuous behavior in the use of resources (e.g. responsible use of paper).

METHODOLOGICAL NOTE

Reply Group consolidated disclosure of non-financial information has been prepared in line with Legislative Decree 254/2016 regarding the disclosure of non-financial and diversity information by certain large undertakings and public-interest entities.

The NFI has the purpose of ensuring a deep understanding of the business model, policies, main risks and key performance indicators on environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters which results to be relevant considering the Group activities and characteristics.

The Board of Directors of Reply S.p.A. has approved this NFI on 13 March 2018.

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).

The material topics identification

process

In order to select the aspects that are relevant to the Group, the company implemented some analysis that allowed to identify the main pressure from its own stakeholders and the corporate priorities, in relation to the five areas set out in the Decree.

The implemented analyses are:

- **Analysis of global sustainability trend:** mapping of the main non-financial aspects considered by the stock exchange that published guidelines for sustainability reporting: sustainability rating (DJSI, MSCI, etc.), international organization (GRI, World Economic Forum, etc.) and governments (UE policies, UN reports, etc.).
- **Analysis of sector pressures:** mapping of the

main non-financial aspects that are relevant for the Information Technology sector. Particularly, the company analyzed the publications from international organizations and the sustainability reports of the main Group competitors.

- **Analysis of the company priorities:** the main aspects related to the five areas mentioned within the Decree have been identified by interviewing the Group management.

The overall results of these analyses led to the definition of the most relevant non-financial aspects necessary to ensure a complete understanding of the company's activities, development, performance and impacts. The relevant aspects are subject to reporting within the NFI of Reply. For clarity purposes, in the following table the relevant non-financial aspects are reported with a reference to the Decree areas.

AREAS OF THE D.LGS. 254	RELEVANT ASPECTS
Environmental matters	Energy consumption
	Exhaust and waste
	GHG emissions
Employee matters	Talent attraction and retention
	Occupational Health and Safety
	Training and education
	Diversity and equal opportunities
Social matters	Customer privacy
	Socio-economic compliance
	Anti-competitive behavior
Anti-corruption and bribery matters	Anti-corruption
Respect for human rights	Supplier social assessment
	Non discrimination

No relevant aspects have been identified as having relevant impacts outside the organization boundaries. Aspects with relevant impacts on internal boundaries are fully reported, except for the absentee rate for the following countries: United Kingdom, United States, Poland and Romania.

Perimeters and reporting standards

The reporting perimeter, in accordance with the Decree, includes all the subsidiaries that are consolidated 100% line-by-line in the Consolidated Financial Statement, except for the following companies:

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

which have been excluded from the NFI due to their low relevance regarding the environmental and social aspects reported in this section.

These considerations do not undermine the purpose of the NFI, since the aforementioned companies would only make negligible contributions to the selected performance indicators, because of their extremely reduced size and operations if compared to the entire Group.

The reporting period to which information and data are referred is 2017.

The reporting standard

The reporting standard, adopted by Reply to prepare the NFI, are the GRI Sustainability Reporting Standards (hereinafter also “GRI Standards”), published in 2016 by GRI – Global Reporting Initiative. Particularly, according to the GRI standard 101: Foundation, 3rd paragraph, this NFI references to the following Reporting Standards (“GRI-referenced”):

GRI STANDARDS	GRI DISCLOSURES	DESCRIPTION
GRI 102 – General Disclosure	GRI 102-8	Information on employees and other workers
	GRI 102-15	Key impacts, risks, and opportunities
	GRI 102-18	Governance structure
	GRI 102-41	Collective bargaining agreements
	GRI 102-46	Defining report content and topic Boundaries
	GRI 102-47	List of material topics
GRI 103 – Management Approach 2016	GRI 103-1	Explanation of the material topic and its Boundary
	GRI 103-2	The management approach and its components
GRI 205 – Anti-corruption	GRI 205-2	Communication and training about anti-corruption policies and procedures
	GRI 205-3	Confirmed incidents of corruption and actions taken
GRI 206 – Anti-competitive behavior	GRI 206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices
GRI 302 – Energy	GRI 302-1	Energy consumption within the organization
GRI 305 – Emissions	GRI 305-1	Direct (Scope 1) GHG emissions
	GRI 305-2	Energy indirect (Scope 2) GHG emissions
GRI 306 – Effluents and waste	GRI 306-2	Waste by type and disposal method ⁵
GRI 401 – Employment	GRI 401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees
GRI 403 – Occupational health and safety	GRI 403-2	Types of injury and rates of injury, occupational diseases, lost days, and absenteeism, and number of work-related fatalities
GRI 404 – Training and education	GRI 404-3	Percentage of employees receiving regular performance and career development reviews
GRI 405 – Diversity and equal opportunity	GRI 405-1	Diversity of governance bodies and employees
GRI 406 – Non-discrimination	GRI 406-1	Incidents of discrimination and corrective actions taken
GRI 414 – Supplier social assessment	GRI 414-1	New suppliers that were screened using social criteria
GRI 418 – Customer Privacy	GRI 418-1	Substantiated complaints concerning breaches of customer privacy and losses of customer data
GRI 419 – Socio-economic compliance	GRI 419-1	Non-compliance with laws and regulations in the social and economic area

⁵ Currently the indicator is only reported with qualitative information, since, as of today, quantitative data on waste production are not available.

The reporting process and the calculation methodology

The process implemented by the Group to be compliant with the Decree, according to the disclosure of aspects in the five areas identified by the legislator (environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters), was developed with the following key steps:

- Identification of the relevant topics;
- Mapping of the main risks, suffered or generated, which derived from the company activities, products, services or trade relationships, including the supply chain;
- Identification of the practiced policies, where applicable, and the governance model adopted to manage the five areas;
- Definition and implementation of a process (at the Group level) to collect, aggregate and transmit data and information required by the key performance indicators chosen according to the relevant topics and required by the reporting standard.

The definition of the NFI contents involved all the business functions that are responsible for the aspects reported in the section.

The main methodologies used for the calculations are reported below:

- For energy consumption, related particularly to electricity and natural gas, if the office data was not available, a conservative estimation approach was implemented to choose assumptions associated to environmental performances

that are less positive for the company. More specifically, the available energy consumption was used to calculate the consumption intensity in relation to the workstations in offices and through these the consumption of the remaining offices was estimated.

- The emission from fuel consumption of the leased vehicles are reported in Scope I because Reply adopted the “operational control” principle, for which the direct emissions are calculated as the assets that Reply can control.
- In the GHG emissions calculations the following emission factors are used:
 - Direct emissions (Scope I): for the office heating with natural gas and for fuel used for the cars, the emission factors were extracted from the Italian standard parameters table, published by the Ministry of the Environment and for Protection of the Land and Sea (February 2018 version);
 - Indirect emissions (Scope II): for the electricity purchased from the national grid, a factor extracted from Terna international comparisons (Enerdata – 2015) was used; for district heating the emission factor used is provided by DEFRA (UK Department for Environment, Food & Rural Affairs).
- The absentee rate is calculated by including the absences for injury, sickness, unpaid leave and strike.
- The injury rate is the rate between the total number of injuries with absences exceeding one day and the total number of worked hours, multiplied by 1,000,000; the commuting injuries are excluded from the calculation of the injury

rate.

- The lost day rate is the rate between the total number of lost days and the total number of hours scheduled to be worked, multiplied by 1,000.
- The lost day represents the calendar days lost from the day after the injury.
- With regards to the worked hours, if data were not available for some employees, an estimation was made using the hours effectively worked by the rest of the Reply employees.



Building a better
working world

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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 20267

(Translation from the original Italian text)

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

We have performed 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, 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 2017 in accordance with article 4 of the Decree approved by the Board of Directors on 13th March 2018 (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 ("GRI Standards"), with regard to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF, 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 non-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, results and 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, with regard to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF. 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 standard 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 topics 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. understanding of the following aspects:
 - o group's management and organization business model, with reference to the management of the topics indicated in article 3 of the Decree;
 - o policies adopted by the Group related to the matters indicated in article 3 of the Decree, results achieved and related key performance indicators;
 - o main risks, generated or suffered related to the matters indicated in 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 4. a) below;

4. 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 Reply Ltd 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 gathered 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 Reply Ltd, that we have selected based on their activity, relevance to the consolidated performance indicators and location, we have carried out site visits during which 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 2017 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, with regard to the selection of GRI Standards specified in the paragraph "Methodological Note" of the DNF.

Other Information

The comparative information presented in the DNF for the year ended on 31st December 2016 has not been examined.

Torino, 29th March 2018

EY S.p.A.

Signed by: Alessandro Davi
(Partner)

www.reply.com