



Report on Corporate Governance

Pursuant to articles.124 bis D.Lgs no. 58/1998, 89 bis
Regolamento Emittenti Consob and IA.2.6
of *Istruzioni al Regolamento di Borsa*

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1. Corporate governance system

The *Corporate governance system* of the company, which is a set of laws and bylaws adopted in order to ensure the efficient and transparent functionality of the corporate bodies and the control system inspired on the principles and criteria recommended by the Code.

The Company is incorporated under Italian law and listed on the stock exchange on the MTA market, STAR segment. The *governance* structure of Reply S.p.A. – based on the traditional model, is made up of three bodies: The General Shareholders' Meeting, Board of Directors (that carries out its function through executive directors and is advised by an Internal Control Committee and a Remuneration Committee), Board of Statutory Auditors and Independent Auditors.

The General Shareholders' Meeting is the corporate body which expresses the wishes of the shareholders through its resolutions. Resolutions passed in compliance with the law and the bylaws are binding on all shareholders independently whether they agree or disagree with them unless the latter draw out, in the cases allowed. The Shareholder's are convened according to the rules set out for listed companies.

The Board of Directors has the function to define and approve the company's strategic, operating and financial plans in addition to the corporate structure it heads. The Board invests the broadest possible powers of management of the company in order to perform all the actions held to be most appropriate in the pursuit of the company objects, except those reserved for the Shareholders' meeting.

The Statutory Auditors supervises compliance with the law and bylaws and exercises management control and has to verify the following: The Board of Statutory Auditors must ensure that the laws and bylaws are properly applied and carries out controls the following:

- Respect of good management principles;
- The adequate structure of the company;
- The ways in which the Code is actually executed;
- The adequacy of information disclosed by the subsidiaries in relation to mandatory information to the market and concerning privileged information.

The Statutory auditors are not responsible for controlling the accounting records which is a function performed by an external company registered in the special Consob register as requested by law and chosen by the Shareholders' meeting. The Audit Firm checks during the year that the company's accounts are properly kept and the management events are correctly reflected in the accounting records. The auditors also verify that the corporate and consolidated financial statements correspond with the outcomes of the accounting records and the verifications performed and that the accounting documents themselves are in compliance with the applicable regulations. The Independent Auditors can also perform other services resolved by the Board of Directors, when non incompatible with the audit engagement. The *governance* also includes the Internal Control System and the Organizational Model pursuant to Article 6 of the Law decree 231/2001 and the structure of the powers and proxies, as presented herein.

In the following Report the corporate governance code examined by the Board of Directors on 15 March 2010 is included and it should be noted that some recommendations have not been adopted by the Board of Directors and shall be further explained herein.

The Report on Corporate Governance, which completes the explanatory notes and the code can be consulted on the company's website (www.reply.eu – Investors – Corporate Governance).

2. Shareholding information (art. 123-bis of Legislative Decree 58/1998)

as at March 15, 2010

A. Share capital structure

The share capital structure of Reply S.p.A. is summarized below.

The share capital fully paid and subscribed at 15 March 2010, amounts to 4,795,885.64 Euros, divided in 9,222,857 ordinary shares having nominal value of 0.52 Euros- no other form of shares exist.

The share capital can further be increased by a maximum of 87,568.00 Euros following the exercise of stock options, with underlying Reply ordinary shares undersigned at established prices and existing at 31 December 2009, and not yet exercised, as specified in the Report on Operations at paragraph "Stock options" and summarized at the following table:

Plan	Resolution of the General Shareholders' meeting	Board's resolution date	No. beneficiaries	Exercise price	Vesting period	Number of options
2004	11/06/2004	11/11/2005	1	17.569	11/11/2008 – 11/11/2013	2,400
2004	11/06/2004	12/05/2006	10	21.339	12/05/2009 – 12/05/2014	150,000
2006	15/06/2006	08/08/2006	1	18.662	08/08/2009 – 08/08/2014	10,000
2006	15/06/2006	27/09/2007	1	24.096	27/09/2010 - 27/09/2015	6,000

B. Restrictions on the transfer of securities

The bylaws do not foresee restrictions on the transfer of securities.

C. Significant shareholdings

According to the Shareholders' Ledger, to the notifications received in compliance to the laws and according to other information available as at March 15, 2010, the shareholders that directly or indirectly hold stakes greater than 2% of the share capital having the right to vote are the following:

Shareholder	Direct Shareholder	Ownership % over share capital	Ownership % over voting capital
Rizzante Mario	Alika S.r.l.	53.5214	53.5214
	Rizzante Mario	0.1095	0.1095
	Total	55.6309	55.6309
Kairos Partners Sgr S.p.A.	Kairos Partners Sgr S.p.A.	5.770	5.770
Anima Sgr S.p.A.	Anima Sgr S.p.A.	3.1289	3.1289
Highclere International Investors Limited	Highclere International Small Companies Fund	2.2359	2.2359
Lodigiani Riccardo	Lodigiani Riccardo	2.0991	2.0991

D. Securities which grant special rights

No securities have been issued which grant special rights of control.

E. Employee shareholdings: mechanism for exercising voting rights

In the case of employee shareholdings, a system by which the voting right can be exercised directly by someone else does not exist.

F. Restrictions on voting rights

The company bylaws have not established restrictions on voting rights.

G. Agreements between shareholders

At present the Company has the following lock-up agreements in compliance to art. 122 of Legislative Decree no. 58/1998 in which shareholders have more than 2% of the share capital:

1. Agreement dated November 9, 2004, tacitly renewed for a further three year period and until 9 November 2010, by which Alike S.r.l., with headquarters in Torino Corso Francia no. 110, share capital of 90,600.00 Euros entirely called up, fiscal code and Torino company registration no. 07011510018, holder of 46,206.00 Euros equivalent to 51% of the share capital and more specifically:

- Mr. Mario Rizzante holder of 5,705.00 Euros, equivalent to approximately 6.3% (six point three percent) of the share capital;
- Mrs. Maria Graziella Paglia holder of 17,100.00 Euros equivalent to approximately 18.87% (eighteen point eighty-seven percent) of the share capital;
- Mrs. Tatiana Rizzante holder of 11,700.00 Euros equivalent to approximately 12.91% (twelve point ninety-one percent) of the share capital;
- Mr. Filippo Rizzante holder of 11,700.00 Euros equivalent to approximately 12.91% (twelve point ninety-one percent) of the share capital;

have signed a lock up agreement according to article 122 of TUF for a three year period and renewable for equal periods as long as one of the shareholders does not communicate the cancellation with a six months written notice.

2. Agreement dated May 21, 2009, between Mr. Luigi Luoni, Mr. Fabrizio Alberton, Mr. Nicola Angelina, Mr. Nicola Canepa, Mr. Marco Cossutta and Mr. Carlo Gotta and the Company, are holders of 244,517 (two hundred forty four thousand five hundred and seventeen) shares equivalent to approximately 2.65% Reply shares capital cannot directly or indirectly, or publicly announce the intention of, directly or indirectly executing the following actions: offer, sell and in general not to dispose by any means the shares owned and the rights attributed to the same, with the exceptions under art. 123 TUF as outlined below:

Mr. Luigi Luoni:

- after 12 months following May 21, 2009, the lock-up period shall expire in relation to 35,196 (thirty-five thousand one hundred and ninety-six) equivalent to approximately 0.38% (zero point three eight percent);
- after 24 months following May 21, 2009, the lock-up period shall expire in relation to 35,196 (thirty-five thousand one hundred and ninety-six) equivalent to approximately 0.38% (zero point three eight percent);

- after 36 months following May 21, 2009, the lock-up period shall expire in relation to 35,196 (thirty-five thousand one hundred and ninety-six) equivalent to approximately 0.38% (zero point three eight percent);

Messers: Fabrizio Alberton, Nicola Angelina, Nicola Canepa, Marco Cossutta, Carlo Gotta:

- after 12 months following May 21, 2009, the lock-up period shall expire in relation to 9,262 (nine thousand two hundred and sixty two)) equivalent to approximately 0.10% (zero point one zero percent);
- after 24 months following May 21, 2009, the lock-up period shall expire in relation to 9,262 (nine thousand two hundred and sixty two)) equivalent to approximately 0.10% (zero point one zero percent);
- after 36 months following May 21, 2009, the lock-up period shall expire in relation to 9,262 (nine thousand two hundred and sixty two)) equivalent to approximately 0.10% (zero point one zero percent).

H. Change of control clause

Should Reply S.p.A. undergo a change of control, with relation to contractual agreements the following is noted:

Financing contracts

Reply S.p.A., on December 30, 2005 undersigned a Loan Agreement with a pool of banks, San Paolo Imi (now Intesa San Paolo S.p.A.) as pool leader for a total of 66,000,000 Euros, with the major scope of financing the Group for acquisitions on the Italian or European market.

Reply S.p.A., on March 31, 2009 undersigned a Loan Agreement with Intesa San Paolo S.p.A. for a total of 50,000,000 Euros.

This contract allows the financing banks the faculty to call off the contract if there is a change of control directly or indirectly of Reply S.p.A., in accordance to 2359 of the Italian Civil Code.

Business agreements and contracts

Within some business agreements and contracts undersigned by Reply S.p.A. it is mandatory to notify the change of control, the Company has also undersigned contracts in which the clause "Change of control" implies immediate cancellation of the contract.

Such agreements, which are not very significant, compared to the entire Group activities, are subject to confidentiality clauses.

I. Mandates to increase the share capital and authority to buy new shares

The General Shareholders' meeting authorized the Board of Directors' to increase share capital pursuant to article 2443 of the civil code.

The information regarding the share capital increase is detailed in the table below:

Shareholders' Resolution		Proxy	Expiry date	Amount authorized		Proxy executed	
				Euros	Shares	Euros	Proxy
14/06/2005	The Board of Directors has the proxy to increase the share capital with the exclusion of pre-emptive rights, to be executed separately against payment released through payment in shares of enterprises having the same business scope or instrumental to the development of the Company's activities.		14/06/2010	442,000,00	850,000	347,280.44	667,847
15/06/2006	The Board of Directors has the proxy to increase the share capital with the exclusion of pre-emptive rights, to be executed separately against payment released through payment in shares of enterprises having the same business scope or instrumental to the development of the Company's activities.		15/06/2011	312,000.00	600,000	-	-
14/06/2007	The Board of Directors has the proxy to increase the share capital in accordance to art. 2429 of the Italian Civil Code and to assign shares to employees, directors of the Parent Company and subsidiaries having a key role in achieving the Group's objectives.		14/06/2012	104,000.00	200,000	-	-

On June 14, 2007 the Company approved a share based incentive plan in favor of directors, employees and managers of the Company and its subsidiaries that cover a strategic role in achieving the overall objectives of the group; the plan is to be executed through Stock Granting represented by treasury shares of the company or newly issued shares pursuant to article 2349 of the Italian Civil Code. The Shareholders' have attributed proxy to the Board of Directors to resolve, even more than once and for a five year period, a free capital increase, pursuant to article 2349 of the Italian Civil Code for a maximum amount of 104,000 Euros corresponding to 200,000 ordinary shares. At present, the share based incentive plan of Stock Granting has not been activated.

The Shareholder's, following resolution passed on April 29, 2009, have authorized the acquisition of treasury shares in accordance to art. 2357 of the Italian Civil Code as follows:

number of shares: considering the treasury shares already held by the Company at the said date, a maximum number of 720,486 ordinary shares at 0.52 Euros, corresponding to 7.812% % of the existing share capital 30,000,000 Euros;

duration: for a period of 18 months, that is from April 29, 2009 to October 29, 2010, in substitution of the previous authorization resolved by the shareholders' meeting of 12 June 2008;

minimum purchase price: nominal value of the ordinary shares (presently 0.52 Euros);

maximum purchase price not greater than the official trade price on the MTA Market the day prior to the purchase applying a spread of 15%, and a disbursement of maximum 30,000,000 Euros; **authorization to sell:** on the market or in blocks, through a public bid, sale, transfer, or trade of shares as the acquisition and or negotiation with strategic partners against payment in kind pursuant to the regulations of the Stock Granting plans.

At the end of the financial year, the company held no. 131,502 Treasury shares.

3. Management and coordination activities

Reply S.p.A. does not perform management and coordination activities pursuant to article 2497 and subsequent of the civil code.

The Parent company does not exercise control and coordination activities over Reply S.p.A. inasmuch as it qualifies as a holding, lacking an autonomous organizational structure and consequently does not carry out management activities for Reply S.p.A.

All the Italian subsidiaries held, directly or indirectly, by Reply S.p.A. have accurately published the control and coordination to which they are subject by Reply S.p.A. in accordance to art. 2497 – bis of the Italian Civil Code.

It is to be noted that:

- the information requested by art. 123-bis, first paragraph letter i) is disclosed in the Directors' report at the paragraph dedicated to directors remuneration;
- the information requested by art. 123-bis, first paragraph letter l) is disclosed in the Directors' report at the paragraph dedicated to the Board of directors.

4. Compliance (ex art. 123-Bis, paragraph 2, letter a), tuf)

The Report herein reflects and illustrates the corporate governance structure that the Company has adopted in compliance to the requirements of the Code, available on Borsa Italiana's website www.borsaitaliana.it and to which the Company has complied.

The Board of Directors is always inclined at evaluating any new views and orientations that the Corporate Governance Code could consider and eventually integrate and amend the Company's Corporate Governance only if and compatible with the company's reality, and that such integration enables the Company to further strengthen its reliability with investors.

Reply S.p.A. and its key strategic subsidiaries, to the Board of Directors knowledge, are not subject to foreign laws that have an influence on the corporate governance structure of the Issuer.

5. Board of directors

A. Nomination and substitution of directors and amendments to the bylaws

The nomination and substitution of directors is disciplined by art. 16 (Nomination of Directors) of the bylaws, and is available on the Company's website (www.reply.eu under Investors – Corporate Governance).

Article 16 of the Company's Articles of Incorporation has been revised under the General Meeting's resolution of June 14, 2007, in order to comply to the changes made to the laws and regulations recently introduced, even in relation to the "voting list" mechanisms, under Principle 6.P.1 of the Code that regulates that the nomination of the directors must follow transparent procedures that guarantee the timeliness of adequate information concerning the personal and professional characteristics of the candidate.

Art. 16 of the Corporate Governance , regulates that:

- The list of candidates shall be deposited at the company's registered office fifteen days prior to the date of the first call for the Annual general Shareholders' meeting;
- Only those shareholders that alone or together with others represent 2.5% of the ordinary voting shares have the right to present the lists or the minimum minority voting share required in accordance to binding laws or regulations;
- The lists that do not reach the percentage of votes equivalent to at least half of those required for the presentation of the same, cannot be considered when apportioning the directors to be elected;
- The voting mechanism appoints the directors from the list having obtained the majority votes by the shareholders and following the order on the list, five sevenths of the Directors will be selected from the eligible candidates, while the remaining Directors will be selected from the other lists, guaranteeing in any case, that at least one candidate has been voted by the minority list that has received the most number of votes and that is not connected in any way, not even indirectly, to the shareholders that presented or voted the list that reached the greatest number of votes;
- In case the minimum number of Independent Directors have not been nominated according to the procedure mentioned above, the last candidate elected from each list which has been nominated by at least one Director and who has received the most votes will be substituted by the candidate immediately following until the minimum number of Independent Directors have been elected.
- The company by-laws state that Independent directors not only must meet the requirements established for Statutory Auditors in accordance to art. 148, paragraph 3, of Legislative decree dated 24 February 1998, no. 58 but must also meet requirements established by the Corporate governance code adopted by the Company.

B. Members

The Company's Board of Directors is made up of a variable number of members from a minimum of 3 to a maximum of 11. The number of members is resolved by the Annual General Shareholders' Meeting.

As required by the Corporate Governance Code the Board of Directors is made up of executive and non executive directors, the number, competence, authority and time availability of non-executive directors shall be such as to ensure that their judgment may have a significant impact on the taking of board's decisions.

At present the Board of Directors is made up of eight (8) Directors of which five (5) executive:

- Mr. Mario Rizzante Chairman and Managing Director
- Mr. Sergio Ingegnatti Managing Director
- Mrs. Tatiana Rizzante Managing Director
- Mr. Oscar Pepino Executive Director
- Mr. Claudio Bombonato Executive Director

and three (3) non Executive and Independent Directors:

- Mr. Fausto Forti (*Lead Independent Director*)
- Prof. Marco Mezzalama
- Prof. Carlo Alberto Carnevale Maffè

The non Executive and Independent Directors bring about their specific competencies in the meetings contributing in taking decisions of company interest.

The above mentioned directors have been appointed under shareholders' resolution of April 29, 2009 based on the the list presented by the major shareholder, Alike S.r.l.

The above mentioned directors will hold office until approval of the year end December 31, 2011 financial statements.

The Directors operate and take decisions in an informed and unconditioned matter, pursuing the primary objective of creating value for the shareholders. They hold office with the awareness of being able to dedicate the necessary time in order to carry out their actions diligently.

The Chairman coordinates the activities and conducts the Board of Directors Meetings and takes the necessary actions so as to inform the members well in advance on significant points and useful items in order to participate in a profitable manner.

The Chairman furthermore, by means of the operational members of the company, makes sure that the Directors participate in initiatives aimed at increasing their knowledge of the company reality and its evolution and that they are informed about the major new legislation and regulations that concern the Company and its governing bodies.

The table below discloses the main information related to the Board of Directors in compliance to Article 144- decies according to *Regolamento Emittenti Consob*.

Name	Office	Board of Directors								Internal Control Committee		Remuneration Committee	
		In office since	L(**)	E	N.E	I.code	I. TUF	% Other offices	Attendance	%	Attendance	%	
Mario Rizzante	Chairman and Chief executive officer	from 29/04/09											
		To 31/12/11(*)	M	X	-	-	-	100.00%	1	-	-	-	-
Sergio Ingegnatti	Chief executive officer	From 29/04/09											
		To 31/12/11(*)	M	X	-	-	-	100.00%	N/A	-	-	-	-
Oscar Pepino	Executive Director	From 29/04/09	M	X	-	-	-	83.33%	N/A	-	-	-	-
		To 31/12/11(*)											
Tatiana Rizzante	Chief executive officer	From 29/04/09	M	X	-	-	-	100.00%	1	-	-	-	-
		To 31/12/11(*)											
Claudio Bombonato	Executive Director	From 29/04/09	M	X	-	-	-	100.00%	1	-	-	-	-
		To 31/12/11(*)											
Fausto Forti	Lead Independent Director	From 29/04/09	M		X	X	X	100.00%	1	X	100%	X	100%
		To 31/12/11(*)											
Marco Mezzalama	Non-Executive independent Director	From 29/04/09	M		X	X	X	66.67%	N/A	X	100%	X	100%
		To 31/12/11(*)											
Carlo Alberto Carnevale Maffé	Non-Executive independent Director	From 29/04/09	M		X	X	X	83.33%	1	X	100%	X	100%
		To 31/12/11(*)											
Number of meetings held in 2009		Board of Directors meetings: 6								Internal Control Committee meetings: 2		Remuneration Committee meetings: 2	

(*) in office until the Shareholders' meeting for the approval of December 31, 2011 financial statements.

(**) the last quorum for the presentation of the lists reached 2.5%. Nomination was unanimous and reached favorable votes equal to 56.178% of the share capital.

Legend:

L: list

M/m: M/majority list m/minority list

E: Executive

N.E.: non executive

I: independent

Following is a brief description of personal and professional characteristics of the members of the Board of Directors of the Company.

Mario Rizzante (Chairman, Chief Executive Officer and founder of Reply S.p.A.)

Mr. Rizzante received a graduate in Science of Informatics at the University of Turin. In the 70's, within the Fiat Group, Mr. Rizzante worked on several projects for manufacturing automation. In 1981 Mr. Rizzante left Fiat and founded Mesarteam S.p.A., a System Integration company that in a few years became one of the leading Italian companies in the ICT sector. In 1990 Mesarteam was sold to Sligos, company belonging to the Group Crédit Lyonnais and Mr. Rizzante contributed as Chairman and strengthened relations with important international clients. In 1994 Mr. Rizzante joined Digital (now HP), as Southern Europe Territory Manager of System Integration and Consulting. In June 1996, together with other partners Mr. Rizzante decided to undertake a new entrepreneur endeavor: constructing a system integration and consulting company specialized in new internet technologies. Reply comes to life. Within only four years since its constitution, in December 2000, Mr. Rizzante leads Reply to the Stock market, listing it on the market in Milan.

In 2006 he became member of the Syskoplan AG (Germany) Supervisory Board and holds the position of Chairman.

Sergio Ingegnatti (Chief Executive Officer and founder of Reply S.p.A.)

Graduate in Science Administration at the Business Administration School of Turin. In the 70's Mr. Ingegnatti within the Fiat Group worked in the informatics area, In 1981, Mr. Ingegnatti left the Fiat Group and founded Mesarteam S.p.A., a System Integration company covering the role of Chief Executive Officer and Chief Finance Officer. In 1990 Mesarteam was sold to Sligos, company belonging to the Group Crédit Lyonnais and Mr. Ingegnatti continued his role as Chief Finance Officer for Italy. After a brief period in 1995 as finance consultant, in June 1996 he participates in the foundation of Reply in capacity of Chief Executive Officer, and which he currently holds.

Tatiana Rizzante (Chief Executive Officer of Reply S.p.A.)

Tatiana Rizzante received a Bachelor degree in Informatics Engineering at the Polytechnics of Turin. Immediately after having graduated, in 1995 Mrs. Rizzante begins working in the field of experimental and research activities on the Internet in collaboration with the Polytechnics of Turin and Cselit. In 1996 within Technology Reply S.r.l., she participates actively in projects involving the realization of Intranet websites, network computing and information retrieving. She continues her career within the Reply Group covering the role of Technical Director in Sytel Reply S.r.l. with the task of developing a competence center related to Internet services for Telecommunication operators. In 2002 Mrs. Rizzante is appointed Senior Partner of Reply with the mission of pursuing the business line Technological Architectures and Portals, along with marketing, communication and partnership activities. In 2003 Mrs. Rizzante was appointed Director of the Board of Directors of Reply and carries out activities of Sales & Marketing in Italy for the entire Group. In 2006 Mrs. Rizzante is appointed Chief Executive Officer of Reply and in the same year becomes member of the Supervisory Board of Syskoplan Ag (Germany).

Oscar Pepino (Executive Director and founder of Reply S.p.A.)

Mr. Pepino received a graduate degree in Science of Informatics at the University of Turin in 1977, in 1981 he founded Mesarteam S.p.A., a System Integration company covering the role of in charge of the headquarters in Milan. After Mesarteam was sold to Sligos, company belonging to the Group Crédit Lyonnais in 1990, Mr. Pepino joins Digital (now HP), covering the role of informatics consultant. In June 1996 he participates in the foundation of Reply and covers the role of Chief Executive Officer with the task of Technical and Quality Director of the Reply Group. Mr. Pepino within the Reply Group is currently in charge of the Operations Office which heads: the informatics system, quality, the operational quarters, PM Academy and Cmmi.

Claudio Bombonato (Executive Director of Reply S.p.A.)

Mr. Claudio Bombonato graduated in Aeronautics Engineering from the Polytechnics of Turin. He holds Doctorate in Philosophy in Aerospace Engineering from the Turin University, and also Masters degree in Business Administration from *Università Commerciale Luigi Bocconi*.

After a 10 year professional experience in Fiat Aviation Division and IBM Italy, he started working at McKinsey (in 1981) where he was mainly involved in the banking sector and Ict. In 1986 he became Partner and leader in financial institutional practices and Ict in Italy. In 1990, he was appointed Director of the company by McKinsey and was a member of the European leadership group on Financial Institutions. Mr. Claudio Bombonato was the European Responsible of Commercial Banking practices for a number of years.

In 2006 he left Mckinsey and was appointed European Senior Advisor Morgan Stanley (Financial Institution sector in Italy). He has published many articles on strategic thematic, organization and technology both for the financial and public sectors. He was Member of the Board at SI Holding and at present he is the Member of the Board at Fonspa.

Fausto Forti (Independent Director and Lead Independent Director of Reply S.p.A.)

Mr. Forti has a graduate degree in mathematics. From 1974 to 1983 he held several positions in Inveco S.p.A. (Fiat Group) among which: IS and in charge of Spare parts for the Brazilian affiliate; from 1983 to 1994 in Fiat S.p.A. held the position of Director of Logistics. From 1994 to 2004 joins the TNT Group – Logistics division – where he covers the role of Chief Executive Officer of the Italian Business Unit and South America. In 2005 he joins DHL Express Mediterranean (Italy, Greece, Cyprus, Malta and Israel), Deutsche Post Group World Net, and is appointed Chairman and Chief Executive Officer, position that he currently holds. From 2000 to 2006 he was Chairman of Assologistica (*Associazione Italiana delle Aziende di Logistica*) and Vice- Chairman of Confetra (*Confederazione italiana delle Associazioni di Trasporto e Logistica*).

Marco Mezzalama (Independent Director of Reply S.p.A.)

Mr. Mezzalama received a graduate degree in Science of Informatics at the Polytechnics of Turin in 1972 where he is currently Professor of System Elaborations. Since 2005 he holds office of Vice-Chancellor at the Polytechnics of Turin for the informatics systems. From 2001 to 2005 he was substitute of the Chancellor. From 1993 to 2001 Mr. Mezzalama held office as Vice Chancellor for informatics systems and member of the Turin Science Academy. As a representative of the Polytechnics he also covers other roles in research and/or ICT institutions.

Carlo Alberto Carnevale Maffè (Independent Director of Reply S.p.A.)

Mr. Maffè is a professor of Business Strategy at the Strategy Institute and the School of Business Administration at the Bocconi University and was the founder and coordinator of Master in Business Strategy (MISA). He is head of the Business Strategy course for Bachelor in International Economics and Management. At present he teaches the course Media MBA at Steinbeis University of Berlin and the Master in Intelligence at the University of Malta. He has also worked as professor at the Graduate School of Business of Columbia University and Stern School of Business of New York University.

He is a member of the Steering Committee “E-business Policies” of the European Commission. He is columnist for MF- Milano Finanza and he collaborates on a regular basis with newspapers and national and international television such as CNCB International/Class CNCB and IL Sole 24 Ore. Mr. Maffè is a member of Assodigitale scientific committee and the editorial review board of “Economia & Management”. He is independent director of listed companies in the Technology, Media and Telecommunications segments and strategic advisor for important international companies. He has published many articles, books and business cases and often has released interviews and comments on the most important international economic- financial newspapers.

The criteria in evaluating the requisites of the Board of Directors has not been integrated or modified.

The Board of Directors has verified the other offices held by Directors and Statutory auditors in other listed companies, finance, bank, and insurance companies or big enterprises.

The following arose:

- Mr. Mario Rizzante, is Chairman of the Supervisory Board of Syskoplan AG., a German company held by Reply S.p.A. and listed on the Frankfurt stock Market;
- Mrs. Tatiana Rizzante is a member of the Supervisory Board of Syskoplan AG., a German company held by Reply S.p.A. and listed on the Frankfurt stock Market;
- Mr. Claudio Bombonato is Chairman of the Board of Directors' of Fonspa S.p.A.;
- Prof. Marco Mezzalama is member of the Board of Directors of CSI Piemonte of San Paolo, CSP Innovazione in Ict and Consorzio Topix,
- Prof. Carlo Alberto Carnevale Maffè is a member of the Board of Directors' of Poligrafica San Faustino S.p.A.;
- Mr. Fausto Forti is Chairman and is member of the Board of Directors of DHL Express Italy S.r.l..

Compared to the recommendations set out by the Code, the Board of Directors preferred not to express an opinion in relation to the maximum number of offices compatible with the execution of the directors' role, as it believes that such assessment firstly should be made by the shareholders when designating the directors and subsequently by the individual director when accepting the office.

C. Role of the board of directors

The Board of Directors is the statutory managing body of the company invested encompassing all powers with regards to the ordinary and extraordinary administration of the company.

The Board of Directors primarily carry out a management and control function with relation to the general activities of the company and the subsidiary companies.

More specifically the Board of Directors:

- a) examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it heads, if any;
- b) evaluate the adequacy of the organizational, administrative and accounting structure of the issuer and its subsidiaries having strategic relevance, as established by the managing directors, in particular with regard to the internal control system and the management of conflicts of interest;
- c) delegate powers to the managing directors and to the executive committee and revoke them; it shall specify the limits on these delegated powers, the manner of exercising them and the frequency, as a rule no less than once every three months, with which the bodies in question must report to the board on the activities performed in the exercise of the powers delegated to them;
- d) determine, after examining the proposal of the special committee and consulting the board of auditors, the remuneration of the managing directors and of those directors who are appointed to particular positions within the company and, if the shareholders' meeting has not already done so, determine the total amount to which the members of the board and of the executive committee are entitled;
- e) evaluate the general performance of the company, paying particular attention to the information received from the executive committee (when established) and the managing directors, and periodically comparing the results achieved with those planned;

- f) examine and approve in advance transactions carried out by the issuer and its subsidiaries having a significant impact on the company's profitability, assets and liabilities or financial position, paying particular attention to transactions in which one or more Directors hold an interest on their own behalf or on behalf of third parties and, in more general terms, to transactions involving related parties; to this end, the board shall establish general criteria for identifying the transactions which might have a significant impact;
- g) evaluate, at least once a year, the size, composition and performance of the Board of Directors and its committees, eventually characterizing new professional figures whose presence on the board would be considered appropriate;
- h) provide information, in the report on corporate governance on the number of meetings of the board and of the executive committee, if any, held during the fiscal year plus the related percentage of attendance of each director.

In accordance to the *Corporate Governance Code* (art. 1.C.1, letter f), the company has granted to the Board of Directors the examination and the approval of the operations deemed "significant" and some specific operations with related parties, fully detailed in this Report at the section dedicated to the topic.

The Board of directors meet on a regular basis, at least every three months or whenever deemed necessary.

The Directors report to the Statutory auditors on a quarterly basis with regards to the activities carried out during the year, to significant operations carried out by the company or its subsidiaries and with regards to operations that could be of potential conflict of interest.

During 2009 the Board of Directors met 11 (eleven) times and the average duration was approximately one hour.

The Board of Directors are scheduled to meet at least (4) times in 2010.

The Board of Directors have not held any meetings at the present date of this Report.

The participating members of the Board are also allowed to intervene through audiovisual connection.

In order to facilitate the participation of a greater number of Managers and Statutory auditors, a draft of the annual meetings is scheduled.

Prior to the meetings, the Directors and Statutory auditors are provided with the Agenda of the meeting.

It is foreseen that during the next Shareholders' meeting in relation to the approval of the Half year financial statements, a representative of the Independent auditors be present.

D. Chairman of the board of directors, chief executive officers and executive directors

The Board of Directors currently holding office is comprised of two Chief Executive Officers, two Executive Directors and has empowered the Chairman with all operational delegations, in light of the resolutions made on April 29, 2009.

Mr. Mario Rizzante, Chairman of the Board of Directors, is empowered with the ordinary and extraordinary administration of the company with the exception of those specifically empowered by law to the Board of Directors and excluding the operations empowered to the Board of Directors, as set out by the *Regulation on Significant Operations and with related parties*.

The Chairman, major shareholder, is responsible for the management of the Company as illustrated here within.

Mr. Sergio Ingegnatti and Mrs. Tatiana Rizzante, Chief Executive Officers, have the following disjoint main powers:

- ordinary administration of the company, including the activities related to purchase, sales, trade-in of products, goods and automobiles, real estate and any other asset related to the company's activities;
- undersign rent and lease contracts for no longer than a nine year period and establishing the relative terms and conditions, and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions;
- carry out any type of operation with the offices of the public debt, banking institutions, post offices, administration and finance authorities, customs agents and transport institutions in general, governmental authorities whether federal, provincial or local, with ministries and in general with any public or private office, including the undersigning of any acts or declarations pursuant to fiscal laws;
- to represent the Company before any judicial authority, before any administration authority of the Italian Republic, even with reference to litigations even of fiscal nature of whatever degree, with reference to appeals, cassation, protests, undersign conservative and executive acts, and retract from them as necessary, intervene in bankruptcy procedures, take part in creditor meetings, insinuate receivables from the principal company, declare the truth, discuss, accept, sign and refuse agreements, grant to the bankrupt the benefits foreseen by law, allow penalties to payments, assist in inventories, appoint lawyers, carry out transactions, appoint arbiters and sign compromises;
- request, accept and use short term or long term lines of credit, with no sum limitation, according to the necessary conditions and terms with any banking or credit institution;
- hire, appoint or suspend employees, undersign the related labor contracts, modify or retract from the same contracts and compromise the related controversies, representing the Company before the labor unions; nominate and engage external consultants and collaborators, agreeing the related terms of the contracts, such as the fee; resolve and revoke the above contracts;
- participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5.000.000,00 Euros; and can:
 - draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
 - confer or receive the related mandate in the event of a temporary group enterprise participation;
 - undersign the contracts following the assignment of the bid;
 - grant to third parties, to the extent foreseen by the law, the execution of the contracts.

Mr. Oscar Pepino, Executive Director, has the following disjoint main powers:

- sign rent and lease contracts for no longer than a nine year period and establishing the relative terms and conditions, and arrange the necessary services such as: telephone lines, telex, water, energy, gas, garbage collection by signing the related contracts with the public administration or private institutions. To accept, negotiate and impose in any of the said contracts, deals, conditions, clauses, prices, fees, commissions, executing the related payments and obtaining receipt of payment; resolve, cancel or draw back from any of the said contracts;
- participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5.000.000,00 Euros; and can:
 - draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
 - negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 5,000,000.00 Euros for each operation from an asset side and 500,000.00 Euros for operations from a liability side;
 - to represent the Company before any judicial authority, before any administration authority of the Italian Republic, even with reference to litigations even of fiscal nature of whatever degree, with reference to appeals, cassation, protests, undersign conservative and executive acts, and retract from them as necessary, intervene in bankruptcy procedures, take part in creditor meetings, insinuate receivables from the principal company, declare the truth, discuss, accept, sign and refuse agreements, grant to the bankrupt the benefits foreseen by law, allow penalties to payments, assist in inventories, appoint lawyers, carry out transactions, appoint arbiters and sign compromises;
 - hire, appoint or suspend employees, undersign the related labor contracts, modify or retract from the same contracts and compromise the related controversies, representing the Company before the labor unions; nominate and engage external consultants and collaborators, agreeing the related terms of the contracts, such as the fee; resolve and revoke the above contracts;

The main proxies empowered to the Executive Director, Ing. Claudio Bombonato, with the scope of supporting the Company in the development of activities, are the following:

- individual powers:
 - a) represent the Company Reply S.p.A. with external contacts and business negotiations and authorize the issuing of the related business offer with a limit of 5,000,000 Euros per transaction;
 - b) negotiate and undersign contracts for goods and services, and execute any subsequent act useful for the proper outcome of the contracts for a value not greater than 5,000,000.00 Euros for each operation;
 - c) participate in any public or private biddings – even in temporary groups of similar enterprises or even through the constitution of mixed enterprises with the scope of acquiring public investments with an auction value not greater than 5,000,000.00 Euros; and can:
 - draw up, undersign and present all the documentation and any necessary deed for the Company to participate in the bid;
 - confer or receive the necessary mandate in the case of temporary joint ventures;
 - undersign contracts following the awarding of the bid
 - allow third parties the execution of the contracts awarded;

- d) to carry out in the interest of the Company whatever is necessary or convenient within his powers;
- joint powers, with another director having the necessary powers, the powers outlined at letters a), b) and c) in the case the limits defined above are exceeded.

Mr. Claudio Bombonato in the Board Meeting held on March 13, 2009, in capacity of Executive, was assigned new powers related to activities under Network Finance & Security within the Reply Group.

The Chairman, the Chief Executive Officers and the Executive Director, during the Board of Director meetings, and at least on a quarterly basis, report to the Board of Directors and to the Board of Statutory Auditors with regards to the activities carried out during the fiscal year and provide adequate information on atypical, unusual or with related party transactions, that are not subject to the Board of Directors approval.

The Chairman, under the company's Articles of Incorporation, has the power to convene the Board of Directors' meetings.

In preparing the Board of Directors' meetings, the Chairman informs the Directors and Statutory Auditors about the agenda and provides the necessary documentation and information for an effective participation in the Board's work. The Chairman coordinates the activities of the Board of Directors and coordinates the meetings.

In order to have a better management of the Group activities, the Board of Directors of Reply S.p.A. has the possibility to attribute specific delegation powers to several key managers of the Group Companies that can act in name and on behalf and interest of the Company.

E. Independent directors

As previously stated, the three Directors in the running Board of Directors that qualify as being independent as specified by law are:

- Mr. Fausto Forti (*Lead Independent Director*)
- Prof. Marco Mezzalama
- Prof. Carlo Alberto Carnevale Maffè

The independent directors are integral part of the remuneration Committee and internal control Committee.

The Independent non Executive Directors have the same characteristics as the Independent Directors, in compliance to paragraph 3.C.1. of the 2006 edition of the Corporate Governance Code that provides that a director usually does not appear independent in the following events, to be considered merely as an example and not limited to:

- a) if he/she controls, directly or indirectly, the issuer also through subsidiaries, trustees or through a third party, or is able to exercise over the issuer dominant influence, or participates in a shareholders' agreement through which one or more persons may exercise a control or considerable influence over the issuer;
- b) if he/she is or has been in the previous three accounting periods a key person of the issuer, of one of its subsidiaries having a significant strategic relevance or of a joint venture of the issuer, or a company that together with others or under special agreements control the issuer or is able to exercise a notable influence;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through subsidiaries or companies of which he/she is a significant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship:
 - with the issuer, one of its subsidiaries, or any of its significant representatives;
 - with a subject who, jointly with others through a shareholders' agreement, controls the issuer, or
 - in case of a company or an entity – with the relevant significant representatives; or is, or has been in the preceding three fiscal years, an employee of the abovementioned subjects;
- d) if he/she receives, or has received in the preceding three fiscal years, from the issuer or a subsidiary or holding company of the issuer, a significant additional remuneration compared to the “fixed” remuneration of non-executive director of the issuer, including the participation in incentive plans linked to the company's performance, including stock option plans;
- e) if he/she was a director of the issuer for more than nine years in the last twelve years;
- f) if he/she is vested with the executive director office in another company in which an executive director of the issuer holds the office of director;
- g) if he/she is shareholder or shareholder or director of a legal entity belonging to the same network as the company appointed for the accounting audit of the issuer;
- h) if he/she is a close relative of a person who is in any of the positions listed in the above paragraphs.

The Board of Directors, in its entirety, verified, in the meeting held March 13, 2009, also being the first meeting following its renewal on April 29, 2009, and obtained positive results with respect to the independency of the abovementioned Directors, by drawing on information provided by each of the Directors in accordance with the definition provided by the Corporate Governance Code, delegating to not apply the criteria stated in point e) in view of their authority, reputation and moral statute of the non executive directors nominated. This was limitedly verified with regards to Prof. Marco Mezzalama from the month of September 2009.

The Board of Statutory Auditors verifies the proper application of the assessment criteria and procedures adopted by the board in order to annually assess the independence of its members, communicating the outcome of such controls in its report to the shareholders.

In 2009 it was not necessary for the independent Directors to solely convene in specific meetings as they periodically meet when the Internal Control Committee and Remuneration Committee meetings are convened as they are an integral part.

F. Lead independent director

The Code requires that, in case the Chairman of the Board of Directors is the key person in charge of the running of the company, and even when office is held by the person that controls the Company, the Board must designate a “*Lead Independent Director*”, that represents a reference and coordination point of the motions of the non executive Directors and more specifically the independent ones; for this scope, should these circumstances occur, in accordance to article 2.C.3 of the Code, the role of *Lead Independent Director* is head by the non Executive and Independent Director, Mr. Fuasto Forti.

6. Processing of confidential information

The Chief Executive Officer (Mr. Sergio Ingegnatti) and the Investor Relator (Mr. Riccardo Lodigiani) handle the processing of confidential information in order to avoid the spreading of such information through means not in compliance with law, provisions or rulings or by means that are not timely, or that are incomplete or inadequate.

More specifically, all company communication to outsiders and all press releases are accurately drawn up and under the strict supervision of the abovementioned persons that verify the correctness and compliance, in terms of content and means of diffusion, to the existing laws.

Furthermore, all employees, and in particular those having a managing position, have been instructed as to their duties concerning confidentiality of information of a listed company and must verify that the chief executive officer's directions are followed.

Following the so called regulation “market abuse” enacted by Community Law 2004 (Law 18, April 2005 no. 62), which restated article 114 of legislative decree 58/1998 (TUF) and endorsed by the corresponding Consob regulation a law was passed concerning the obligation to notify the public about any transactions carried out by “important persons” and people strictly associated to them in relation to financial instruments of the company.

Consequently, the Internal Conduct Code on Internal Dealing already adopted by Reply S.p.A. since January 2003, was eliminated as of April 1, 2006 date in which the new Consob Regulation no.11971/99 was implemented. Consequently, the previously in force Internal Dealing included in the Market Regulation organized and managed by Borsa Italiana and related Instructions, applied by Reply since January 1, 2003 through the adoption of a specific Internal Dealing Code, has been abolished since the new regulations set out by Consob came into force, that is since April 1, 2006.

In execution of the new regulation of April 1, 2006, a new Conduct Code was implemented aimed at disciplining the flow of information from “Important persons” and “Parties connected to them” with respect to the Company and the corresponding obligations and informative and communication means with respect to Consob and to the market related to operations carried out by these parties.

The new Corporate Governance Code was enacted starting April 1, 2006 following the Board of Directors' resolution of March 31, 2006.

More specifically, the new Corporate Governance Code, with reference to Internal Dealing concerning operations on financial derivative instruments issued by Reply S.p.A. executed by the so called "key persons", disciplines the information to provide the Company, Consob and the market when purchase, sales, undersigning and negotiating of shares or financial derivative instruments connected to the shares, are executed for personal reasons by "Key Persons", that is those being close to the Company that can legitimately negotiate his shares having access to information concerning the parent Company's or its subsidiaries financial-economic trends.

The new code defines the conduct in terms of "internal dealing" and the ways of applying the same. The code disciplines more specifically, the identification of the so called "key" parties, the types of operations subject to mandatory communication, identification of the party in charge of receiving such information and the notification to Consob and to the market, timing and the means of communication that must be carried out by the so called "Key persons".

The complete version of the Corporate Governance Code is available on the Company's website (www.reply.eu – Investors – Corporate Governance).

7. Committees within the board

The Board of Directors set up consulting committees within the Board, The Internal Control Committee and the Remuneration Committee.

The Board of Directors, as allowed by the Code, have not deemed necessary to constitute within its members a director nomination Committee. More specifically, the definition of the professional characteristics of the candidates and the selection of the candidates is carried out through sharing of the shareholders knowledge of the moral requisites and professional competencies of the persons involved.

8. Remuneration committee

The Board of Directors has internally constituted a Remuneration Committee composed by Prof. Marco Mezzalama and Prof. Carlo Alberto Carnevale Maffè, non Executive and Independent Directors and by Mr. Fausto Forti, *Lead Independent Director*.

The Remuneration Committee has the duty to submit to the Board of Directors proposals on the remuneration of the Chairman and Chief Executive Officers, whereas the latter propose the adoption of general remuneration criteria of the company's directors.

The Committee meets upon request of one of the members, before the Board meetings that resolve the Chief Executive Officers' remuneration, the assignment of stock options or with reference to other forms of remuneration connected to results, or when deemed necessary.

Minutes of the meeting are drawn up and include the proposals made by the Committee.

The Remunerations Committee met two (2) times during 2009 with the presence of all members and met once (1) in 2010.

At present, the Committee does not include external consultants.

In 2010 two (2) meetings have been planned, and one has already been held.

In accordance to art. 7.C.4 of the Corporate Governance Code, no director shall participate in meetings of the Remuneration Committee in which proposals are submitted to the Board of directors relating to his/her remuneration.

9. Remuneration of directors

Remuneration of Directors not invested with operational proxies, for each year in office, was resolved by the Shareholders' Meeting of April 29, 2009, upon nomination, and equal to 20,000.00 Euros gross of any withholding amounts foreseen by law.

Remuneration of directors invested with special roles, was established by the Board of Directors upon proposal of the remuneration Committee, authorized by the Board of Statutory Auditors.

In compliance to article 7.C.1 of the Code in the March 2006 release, article 22 of the Articles of Incorporation allows the possibility that a variable fee be attributed to the Directors invested with special powers, as participation in the profits of the parent Company, and dependent of the economic trends of the Group and more specifically to the Consolidated Gross Margin, and is resolved by the Annual General Shareholders' Meeting approving the annual financial statements.

Such a possibility, that has already been adopted upon since allocation of the 2004 net results, considering that this alternative does not exclude the distribution of dividends to the shareholders, will be once again applied in relation to December 31, 2009.

The following table summarizes remuneration of controlling bodies:

(in Euros)

Name and Surname	Office held	Period of office	Termination of office	Emoluments in Reply S.p.A.	Other compensation	Non monetary benefits
Mario Rizzante	Chairman	01/01/09 – 31/12/09	31/12/11	330,000	320,000	-
Sergio Ingegnatti	Chief executive officer	01/01/09 – 31/12/09	31/12/11	210,000	346,000	-
Tatiana Rizzante	Chief executive officer	01/01/09 – 31/12/09	31/12/11	120,000	244,700	-
Oscar Pepino	Executive Director	01/01/09 – 31/12/09	31/12/11	210,000	200,000	-
Claudio Bombonato	Executive Director	01/01/09 – 31/12/09	31/12/11	400,000	-	-
Carlo Alberto Carnevale Maffé	Non executive director and Independent director	01/01/09 – 31/12/09	31/12/11	20,000	-	-
Marco Mezzalama	Non executive director and Independent	01/01/09 – 31/12/09	31/12/11	20,000	-	-
Fausto Forti	Non executive director and Independent <i>Lead Independent Director</i>	01/01/09 – 31/12/09	31/12/11	20,000	4,000	-
Directors with Key responsibilities		01/01/09 – 31/12/09	-	-	2,935,182	104,000

(*) the Board of Directors will hold office until the Shareholders' meeting that will approve the December 31, 2011 financial statements.

The table below summarizes participations held in Reply S.p.A. by Directors, and managers with strategic commitments in Reply S.p.A. as at December 31, 2009 pursuant to art. 79 of Consob Regulations resolution no. 11971 of May 14, 1999:

First name and surname	Office held in Reply S.p.A.	Number of shares held at 31/12/2008	Number of shares bought in 2009	Number of shares held in 2009	Number of possedute at 31/12/2009	% of share capitale
Mario Rizzante	Chairman	11,381	-	-	11,381	0.1234%
Tatiana Rizzante	Chief executive officer	15,734	-	-	15,734	0.1706%
Sergio Ingegnatti	Chief executive officer	9,800	300	-	10,100	0.1095%
Oscar Pepino	Executive Director	13,710	-	-	13,710	0.1487%
Claudio Bombonato	Executive Director	-	27,500	-	27,500	0.2982%
Marco Mezzalama	Independent director	250	-	-	250	0.0027%
Directors with Key responsibilities		720,256	4,607	(2,080)	722,783	7.8369%

At present, there are Stock option rights assigned to Directors of the Company in compliance to the Stock Option plans adopted by the Company; the assignment of Stock Option rights to the Directors is summarized in the table below:

Director	Resolution by the Shareholders' meeting	Number of options assigned	Vesting period	Strike price
Rizzante Tatiana	10/06/2004 (plan 2004)	15,000	12/5/09-12/5/2014	Euro 21.339

The Options assigned to the above Director can be exercised, within the vesting period in the above table, in a lump sum solution, within the “exercise window” following fifteen days after the Board of Directors’ meeting approving the quarterly reports, the half year report or the annual report.

Stock options cannot be exercised in the “Blocked period”, foreseen by the Conduct Code in relation to Internal Dealing, which are 15 days prior to the Board of Directors’ meetings approving the annual report, the half year report and the quarterly reports, including the day the meeting is held.

In 2009 no stock options were neither assigned nor exercised by the Directors.

An agreement between the Company and the Board of directors does not exist in relation to resignation or firing/revocation without valid reasons or if the employment ceases following a public bid to purchase the company.

10. Internal control committee

In accordance to art. 8.P.4 of the Corporate Governance, the Board of Directors established the internal control committee composed by Mr. Carlo Alberto Carnevale Maffè and Mr. Marco Mezzalama, non-executive directors and independent director and by Mr. Fausto Forti, *Lead Independent Director*.

The Internal Control Committee:

- evaluates together with the director responsible for the preparation of the company’s accounting documents and the auditor, the correct utilization of the accounting principles and, in the event of groups, their consistency for the purpose of the preparation of the consolidated balance sheet;
- upon the request of the executive director, express opinion on specific aspects relating to the identification of the principal risks for the company as well as on the design, implementation and management of the internal control committee;
- review the work plan prepared by the officers in charge of internal control as well as the periodic reports;
- evaluate the proposals submitted by the auditing firm for obtaining the relevant appointment, as well as the work plan prepared for the audit and the results described in the report and the letter of suggestions, if any;
- supervise the validity of the accounting audit process;
- perform any additional duties that are assigned by the Board of Directors;
- report to the board, at least on a half yearly basis, on the occasion of the approval of the balance sheet and the half yearly report, on the activity carried out, as well as on the adequacy of the internal control system.

The Committee meets when deemed necessary, and in any case, at least twice a year, when the half year report and the annual report is approved.

The president of the Board of Auditors or another auditor designated by the president participates in the works for the internal control and at the end of each meeting the minutes are drawn up with the Committee’s proposals.

In order to carry out its duties, the Committee can request information and data from head of internal controls, the Board of Statutory Auditors and the independent auditors.

During the year 2009 the Internal control committee met two (2) times and once (1) in 2010 and examined the following:

- The separate financial statements and the consolidated financial statements of 2008 - 2009 and the half-year report of 2009;
- The projects concerning the revision of procedures according to Law 262/2005 (*Legge sul Risparmio*) and to regulations set out under Legislative Decree 231/2001 and other internal improvement projects;
- Compliance to the anti re-cycling law decree 231/2001 and other projects related to internal procedure improvements; and have also carried out the assessment in relation to the proposal of conferring the engagement to the independent audit firm and the audit plan that will substitute Deloitte & Touche S.p.A.

The Committee reported two times to the Board of Directors in relation to the activities carried out and with reference to the adequate functioning of the internal control System.

11. Internal control system

The internal control system is a set of procedures that contributes to safeguard the company's assets, the efficiency and effectiveness of business transactions, the reliability of financial information and the compliance with laws and regulations.

The Board of Directors is responsible for the internal control and defines the guide-lines of the internal control system and the company's risk management.

In relation to the company's objectives, operational and of compliance and reporting the Company uses the following instruments:

Instruments able to monitor operational objectives

- **Budgeting and management control** - Reply S.p.A. has implemented a structured and periodic system in order to forecast and monitor company activities, aimed at defining the company objectives/strategies and defining a budget;
- **Operational procedure system** - In order to properly apply the company directives and to limit the risks connected to the achievement of the company's objectives, Reply S.p.A. has implemented a group of procedures that regulate internal processes, regulating the activities executed within a function and those with other areas; in 2007 a specific procedure of "Offer Authorization" was adopted by the Group and is applicable to the offers issued by all the Group companies for Public Bids, that in brief regulates that the issuing of an "Offer" by a Group Company is subject to approval at an adequate organizational level corresponding to the value of the offer and, if the offer exceeds 5,000,000.00 Euros it must be approved by the Reply Approval Board (RAB) comprising the Chairman of the Board and by the Chief Executive Officers, Sergio Ingegnatti and Tatiana Rizzante; this procedure has been approved by the Internal Control Committee.

Instruments able to monitor compliance objectives

- **Law 262/2005 in relation to accounting and financial disclosures** - Following the coming into force of law 262/2005 concerning the safeguarding of savings, Reply S.p.A. has terminated the project related to the upgrading of procedures and has adopted other initiatives to monitor and improve them. The objective of the initial project was to revise the administrative and accounting procedures with reference to the reliance of the economic-financial information disclosed to the market and more specifically:
 - mapping of the main sub-processes within the administration and relevant accounting procedures;
 - assessment of the adequacy of the existing controls and proposal of further areas of control in view of compliance and greater reliance of the processes considered;
 - drafting of a series of procedures and consequently the drafting of an Administration Procedures Manual;
 - creation of future control and monitoring instruments.
- **Legislative Decree 231/2001** - see related paragraph.
- **Security, environment and quality** - Reply has established a procedure system and an organizational structure dedicated to the management of data security (also with regards to the laws on Privacy), protection of the environment, security of equipment and personnel and the quality of services carried out (Iso certification 9001:2000).
- **Other laws and regulations** - Monitoring the evolution and compliance to new laws and regulations is carried out internally.

Instruments able to monitor reporting objectives

- **Accounting disclosures** - The Group accounting Manual sets the guidelines to the information to be disclosed with relation to consolidated and separate financial statements, to the administrative-accounting procedures recently upgraded/integrated within the Project related to Law no. 262/2005, illustrated previously.
- **Processing of confidential information**: see relevant paragraph.
- **Internal information** - Reply S.p.A. has an internal communication system, orientated to facilitate and promote the internal communication within the company and the Group, also through a structured system as the Management and coordination Committee.

The Internal Control Committee has evaluated the adequacy of the internal controls adopted by the Reply Group and has expressed a positive opinion.

Risk management and internal control over financial reporting

Reply has put in place a system of risk management and internal control over financial reporting based on the COSO Report model, according to which the internal control system is defined as a set of rules, procedures and tools designed to provide, through an adequate identification process of the major risks related to disclosure of financial data, reasonable assurance of the achievement of corporate objectives.

In relation to the financial disclosure process, the objectives are the reliability, accuracy, completeness and timeliness of the information.

The objective of the internal accounting control system is to assure that the financial information disclosed provides a correct representation of management.

The approach adopted by Reply for the evaluation, monitoring and continuous updating of the System of Internal Control over financial reporting, is based on a 'top-down, risk-based' process consistent with the COSO Framework.

This enables focus on areas of higher risk and/or materiality, that is, where there is risk of significant errors, including those attributable to fraud, in elements of the financial statements and related documents.

The key components of the process are:

1. identification and evaluation of the source and probability of significant errors in elements of financial reporting;
2. identification of the key controls aimed at covering the risks;
3. assessment of the adequacy of key controls in enabling ex ante or ex post identification of potential misstatements in elements of financial reporting;
4. verification of the operating effectiveness of controls.

Identification and evaluation of the risk of misstatements which could have material effects on financial reporting is carried out through a risk assessment process, under the supervision of the Director in charge of drawing up the financial statements along with the Chief Executive Officer, that identify the organizational entities, processes and the related accounts, in addition to specific activities which could potentially generate significant errors. Under the methodology adopted by Reply, risks and related controls are associated with the accounting and business processes upon which accounting information is based.

Significant risks identified through the assessment process require definition and evaluation of key controls that address those risks, thereby mitigating the possibility that financial reporting will contain any material misstatements.

According to international best practice, the controls which the Group has in place are of two principal types:

1. controls that operate at Group or subsidiary level, such as: the delegation of authorities and responsibilities, separation of duties and assignment of privileges and rights for access to IT systems;
2. controls that operate at process level, such as authorizations, reconciliations, verification of consistencies, etc. This category includes controls for operating processes and controls for closing processes. Such controls can be preventive (i.e., designed to prevent errors or fraud which could result in misstatements in financial reporting) or detective (i.e., designed to reveal errors or fraud which have already occurred). They may also be defined as manual or automatic, such as application-based controls relating to the technical characteristics and configuration of IT systems supporting business activities.

The assessment of the design and operating effectiveness of key controls has led to the elaboration of control matrixes (RCM - Risk Control Matrix) that identify, for each significant process, the potential impact of financial reporting:

- risks subsequent to not having reached the "financial statement assertion" control objectives, (existence, occurrence, completeness, rights and obligation, evaluation and accounting, presentation and disclosures) and other control objectives such as authorization, segregation of tasks, data security, documentation and traceability of operations, etc.;
- the related "best practice" (i.e. CoSO Framework);
- the standard control activities (key controls) over these processes/procedures, and their principal characteristics (preventive/detective manual/automatic) and the related process owners;
- the assessment of the aforesaid controls in relation to the adequacy of mitigating the risks identified;
- suggestions to improve shortages identified in the assessment of control activities.

The control activities related to significant processes of financial reporting are fully detailed in Reply Group's Manual of administration and accounting procedures, recently updated/integrated within the Project of the updating of Law no. 262/2005, previously commented.

As Reply S.p.A.'s shares are listed and negotiated on the Italian stock market, it is mandatory for the Board of Directors to nominate a Director in charge of drawing up the financial statements and all other corporate documents, the Director has is responsible for setting up adequate administrative and accounting procedures enabling to disclose financial information to the market, and to monitor upon the proper application of the procedures.

The Administration and accounting procedures manual defines the guidelines that must be applied within Reply and more specifically with reference to obligations under art. 154-bis of legislative decree 58/1998 governing company's financial statements and related attestation obligations.

More specifically the Administration and accounting procedures manual has:

- defined roles and responsibilities of the single Organizational Units involved in the general activities of drafting, communication and control of the financial information disclosed to the market;
- defined the operational means of managing the necessary activities to comply with the aforementioned legal obligations;
- introduced, in order to support the drafting of the legal attestation of the Director in charge and the Chief Executive Officer, the obligation, headed by the Compliance department, to internally assess, through the internal communication processes, the correct functioning of the Accounting Control System law 262/2005 related to the accounting processes/flows disciplined by such law, the completeness and reliability of the information and the adequateness and effective application of key controls summarized in the control matrixes.

The company processes, the administrative-accounting procedures and the related control matrixes, along with the list of persons in charge of the operational units enacting the control, are subject to periodic assessments and if the case are updated.

The administrative-accounting procedures and the related control matrixes are co-shared with the related process owners who ascertain the framework and carry out the control, with the process owners, Management, with the support of the Compliance department agree upon the implementation of any necessary corrective measures.

The Compliance department carries out periodic assessments with regards to the adequacy and effective application of key controls on the annual financial statements and half year financial statements through audit procedures performed on specific areas defined by the Director in charge.

The audit plan is aimed at identifying a number of processes to be tested in order to cover the major processes during the year. The audit is performed on several Group companies, selected according to quantitative parameters, (material thresholds with respect to the consolidated financial statements) and qualitative ones. The Chief executive officers and administration directors of the foreign company undersign an attestation on a periodic basis confirming the adequacy of the accounting procedures in relation to any underlying risks and is sent to the Director in charge and the Chief Executive Officer of the Parent company.

In order to carry out the monitoring controls, check lists are prepared according to the different processes being controlled which summarize the ways of testing the key controls included in the Procedures Manual and in the RCM, the sample to be tested and the outcome of the test.

Sample testing is the criteria used and the data and assessments included in the check lists are supported by the documentation gathered during the monitoring activities, that are an integral part of the same check lists.

The outcome of the tests performed and any suggestions made concerning the opportunity of implementing further controls where lacking are summarized by the Compliance Officer in a report and addressed to the Director in charge and to the Chief Executive Officer. The report is discussed and two flows are activated:

- the attestation process addressed externally based on the declarations made by the Director in charge in compliance to art. 154-bis of legislative decree 58/1998, in occasion of the drafting of the annual financial statements or the half-year financial report, as described above.
- The internal process of sharing with the related process owners the outcome of the control assessments, the compensation controls, corrective measures or improvement plan proposals.

The Compliance Officer, in capacity of person responsible of internal controls, periodically refers to the Internal Control Committee, the Board of Statutory Auditors and to the Surveillance Committee with reference to the activities carried out within the assessment process of the internal control system.

A. Executive officer in charge to supervise the functionality of the internal control system

On April 29, 2009 the Board of Directors have confirmed Mr. Sergio Ingegnatti to the position of Executive Officer in charge to supervise the functionality of the internal control system and has nominated Mrs. Celestina Massenzio as head of internal controls.

Head of internal controls reports his activities to the members of the Board of Directors, key management and to the Board of Statutory Auditors.

B. Organisation, management and control model pursuant to legislative decree 231/2001

The Board of Directors approved in November 2004, the “Ethic Code” whose introduction represents an important step towards the constitution of a sound internal control system and transparency principles that guide the company’s internal and external activities, and outlining the fundamental principles necessary to guarantee legality, loyalty and correctness in conducting Reply’s relations.

In 2007 the project to adopt a new organization, management and control model pursuant to Legislative Decree 231/2001 (the Model) was put in place, with relation to the responsibilities of enterprises, in order to prevent the execution of illicit. The model was approved by the Board of Directors on March 28, 2008 and updated with the resolution of March 13, 2009.

The Model adopted, starting from an accurate analysis of the company activities with the objective of identifying the potential activities at risk, is the set of general principles, rules of conduct, control instruments and organizational procedures, formation and informational activities and disciplinary system finalized at assuring, the prevention of offences. The types of offences contemplated by Legislative Decree 231/2001 and that have been considered at risk for the Group, as outlined in the attached Model, are the following:

- (i) relations with the Public Administration;
- (ii) enterprise obligations;
- (iii) privileged information;
- (iv) security, prevention, health and hygiene on the work site.
- (v) IT crimes and illegal use of personal data;
- (vi) Laundering crimes.

The Model was adopted during 2008 by all the Italian Group companies.

The Organizational Model of Reply S.p.A is published on the company website (www.reply.eu – Investors – Corporate Governance).

The Model and the Code of Ethics have been distributed to all Group employees and collaborators through the company Intranet. The Code of Ethics is also supplied to newly hired employees of the Group.

The Board of Directors has nominated a Compliance Committee which has the duty to verify the correct function of the Model and to update it accordingly. The Compliance Committee has to refer to the Board and in the worst cases must refer to the Internal Control Committee. The Compliance Committee comprises external members (Eng. Franco Gianolio) as Chairman, Lead Independent Director (Mr. Fausto Forti) and a member employed in the company (Mrs. Celestina Massenzio) that will hold office until the approval of December 31, 2011 financial statements.

The Italian Group companies have entrusted the function of the Compliance Committee to their Directing body, which performs the functions of compliance through resources within the Compliance Committee of the Parent Company, on the basis of specific agreements.

In 2009 the Compliance Committee met four (4) times and referred to the Board of Directors and to the Statutory Auditors in relation to their activities and the state of the art concerning the Model.

C. Independent audit firm

The General Shareholders' meeting of June 10, 2004 resolved to confer auditing of the Financial Statements of the Company and the Consolidated Financial Statements as well as the limited auditing of the Half-year financial statements for the fiscal year 2004, 2005 and 2006 to the independent auditors Deloitte & Touche S.p.A.

With the modifications introduced by Law no. 262 of December 2005 and the Legislative decree no.303 of December 2006 with regards to accounting principles, the Shareholders' Meeting of 14 June 2007 have evaluated positively the extension of the term of the auditing firm Deloitte & Touche S.p.A from 2007-2009, in order to guarantee the coordination and the adaptation of the measures introduced by the same Law with the existing regulations. The auditing period will terminate with the auditing of the Financial statements of 2009.

D. Director in charge of drawing up the accounting and legal documents

The Board of Directors, pursuant to 262/2005, has confirmed in capacity of *Director in charge of drawing up the accounting and legal documents*, with approval of the Board of Statutory Auditors, Mr. Giuseppe Veneziano as he has matured experience in the management of the company business in the last three year period. On 3 July 2009 a specific proxy was conferred in order to enable him to execute his powers.

Pursuant to article 24 of the Articles of Incorporation, the Director must set up adequate administration and accounting procedures for the drawing up of the statutory financial statements, the consolidated statements and any other financial communication.

The Director, together with the other executive organs, must assert in a specific report, annexed to every financial statement and to any other financial communications that the procedures set up have been abided to.

With reference to his tasks, the *Director in charge of drawing up the accounting and legal documents* has the same responsibilities and liabilities as those foreseen by law for the Directors, with the exception of those executed under work relations with the company.

12. Director's interests and transactions with related parties

In compliance with the Corporate Governance Code transactions carried out with related parties are performed in a transparent manner and meet criteria of substantial and procedural fairness. Directors who have an interest, even if only potential or indirect with related parties shall:

- promptly inform the board in detail of the existence of the interest and of the related circumstances;
- abandon the board meeting when the issue is discussed.

The Board of Directors can however, under certain circumstances, allow the directors to participate and/or vote.

The Company has adopted a Regulation on Significant Operations with related parties and can be consulted on the company's website (www.reply.eu – Investors – Corporate Governance) and regulated what follows.

Significant operations

Pursuant to the Corporate Governance Code, the Board of Directors has the task of reviewing and approving operations of significant economic, financial and earning value, including the most significant operations with related parties, which are subject to specific substantial procedural correctness criteria.

Decisions concerning Significant Operations cannot be taken by delegated directors.

Significant operations are those that put the Company in the position to make the necessary communication to the market and accompany it with ad-hoc accounting situations according to the requirements of the market controlling body¹.

When the Company has to put in action significant operations, the delegated directors provide the Board of Directors, reasonably in advance, a summary of the analysis conducted in terms of strategic coherence, economic feasibility, and the expected benefits for the company.

Operations with related parties

Identification of related parties

Related parties are:

- a) subjects which control, are controlled by (even 100%) or are under the same control as Reply S.p.A.;
- b) subjects which hold an interest sufficient to exercise considerable influence over Reply S.p.A.;
- c) the under signers of non competition agreements, pursuant to article 122, paragraph 1 of Legislative decree 58/1998, related to the right of vote;
- d) subjects associated with Reply S.p.A.;
- e) subjects which have power and responsibility in the planning, management and control of Reply S.p.A. or in holdings i.e. The Board of Directors and Board of Statutory Auditors;
- f) subjects' close relatives in a), b), c), d), and e). a subject close relative means those potentially capable of influencing or being influenced by the natural person in their relationship with Reply S.p.A and may include cohabitant, and relatives up to second degree;
- g) subjects controlled, jointly controlled or subject to considerable influence by any of the subjects in a), b), c), d), and e), or subjects in a), b), c), d), and e) who exercise considerable influence;
- h) subjects who have the same majority directors as Reply S.p.A.

According to the Accounting Principle "IAS 24" control means the power to determine financial and management policies of an organization in order to enjoy the benefits of its business.

¹ Currently Consob communication no. DIS/98081334 of 19 October 1998.

Therefore, pursuant to art. 2359 of the Italian Civil Code and to art. 93 of Legislative decree 24 no. 58 of February 1998, subsidiary (controlled) companies are:

- 1) the company in which the other company has the majority voting rights in the general Shareholders' meeting;
- 2) the company in which the other company has sufficient votes in order to have dominating influence in the general Shareholders' meeting;
- 3) the company, Italian or foreign, in which a subject has the right, in view of a contract or a statutory clause, to exercise a dominating influence, where the law allows such contracts or clauses;
- 4) the company, Italian or foreign, in which a shareholder, on the basis of agreements with other shareholders, has alone sufficient voting rights in order to have dominating influence in the general Shareholders' meeting.

Pursuant to the International accounting standard IAS 28, a company is considered an associate when the holder of the investment has a significant influence but is neither a subsidiary nor a joint venture. Significant influence means the power to participate in administration and operational decisions of the company without having control of it.

Therefore, pursuant to art. 2359 of the Italian Civil Code, associate companies are also those over which another company has significant influence; significant influence is presumed when the company, in the general Shareholders' meeting, can exercise at least one fifth of the voting rights or a tenth if the company's shares are listed.

Three different types of categories of operations with related parties have been defined and are the following:

A) significant operations

These significant operations are with related parties. If the nature, prices or mode/timing of implementation of significant operations with related parties may affect shareholders' equity or the correctness of information (including accounting data) relating to Reply S.p.A., such operations must be made public pursuant to CONSOB regulations.

These operations must be previously authorized by the Board of Directors and specific notice must be provided to CONSOB.

B) Intercompany transactions

These are defined as the transactions realized with companies whose financial statements are consolidated in Reply S.p.A.'s consolidated financial statements on a line by line basis.

These transactions must previously be authorized by the Board of Directors when each have a value greater than 5,000,000 Euros and are related to atypical, unusual or transactions regulated under non standard market conditions. Atypical, unusual or transactions regulated under non standard market conditions having a value lower than 5,000,000 Euros must, in any case, be specifically referred to the Board of directors in the following board meeting.

The operations qualifying as ordinary business activities of Reply S.p.A., and are carried out at normal market conditions, do not require the Board of Directors authorization.

C) Transactions with related parties

These are defined as transaction with related parties other than "group companies".

These transactions must previously be authorized by the Board of Directors when each have a value greater than 2,000,000 Euros or greater than 1,000,000 Euros if related to atypical, unusual or transactions regulated under non standard market conditions.

Atypical, unusual or transactions regulated under non standard market conditions having a value lower than 1,000,000 Euros must, in any case, be specifically referred to the Board of directors in the following board meeting.

13. Appointment of statutory auditors

The appointment and the substitution of statutory auditors is disciplined by Article 23 (Statutory Auditors) of the Company bylaws, and can be consulted on the company's internet website (www.reply.eu – Investors – Corporate Governance).

Article. 23 of the Company bylaws has been modified with the resolution of the Extraordinary Shareholders' meeting of 14 June 2007 in compliance to modifications in the legislations and regulations recently introduced with regards to the "voting lists", Principle 10.P.1 which states that the appointment of auditors shall occur according to a transparent procedure. It shall ensure, inter alia, timely adequate information on the personal and professional characteristics of the candidates.

Article 23 of the bylaws regulates, among other, the following:

- the lists of the candidates for the office of Statutory Auditor must be deposited at the Company's offices at least fifteen days prior to the date set for the Shareholders' Meeting on first call;
- the lists of the candidates for the office of Statutory Auditor must be deposited at the Company's offices at least fifteen days prior to the date set for the Shareholders' Meeting on first call; only those shareholders that alone or together with others represent 2.5% of the ordinary voting shares have the right to present the lists or any other minimum number requested by other laws and regulations;
- The voting mechanism foresees that the votes obtained from each list, Statutory Auditors are separated from Alternate Auditors, will be divided by one, two, three for the Statutory Auditors and one, two for the Alternate Auditors, according to the progressive number of auditors to be appointed. These percentages will then be progressively assigned to the candidates on each list and a grade in descending order will be formed. The candidates with the highest percentage will be appointed, being that one Statutory Auditor and Alternate Auditor have been elected from the second list according to the number of votes obtained and must not be connected, neither indirectly, to the Shareholders which presented or voted the list which obtained the highest number of votes;
- If candidates obtain the same percentage of votes, the candidate, will be selected from a list which has not elected a Statutory Auditor, whereas if all the lists have elected the same number of candidates, the Statutory Auditor will be chosen from the list which obtained the most votes. If the result in percentage and vote is analogous the Shareholders vote once more and the candidate with the highest percentage will be appointed;
- President of the Board of Statutory Auditors is held by the statutory auditor which was elected from the minority list which obtained the highest number of votes;
- In the event of a statutory auditor being replaced, the first alternate auditor belonging to the same list as the auditor being substituted and after having confirmed the existence of the prescribed requirements, will join the Board for the remainder of the auditors' term of office. In the event of a replacement of the Chairman, the office will be taken over by the statutory auditor that replaces him.

14. Statutory auditors

The Board of Statutory Auditors is made up of three standing auditors and two alternate auditors and the Board is comprised as follows:

- Prof. Cristiano Antonelli	President
- Mrs. Ada Alessandra Garzino Demo	Statutory auditor
- Mr. Paolo Claretta – Assandri	Statutory auditor
- Mr. Alessandro Mikla	Alternate auditor
- Mr. Alessandro Pedretti	Alternate auditor

The Board of statutory auditors were appointed during the Shareholders' meeting on April 29, 2009 based on the list which was presented by the majority shareholders of Alika S.r.l. the office expires on December 31, 2011 with the approval of the financial statements.

The table below summarizes the Board of Statutory Auditor3s and explains the main information requested in accordance to Article 144-decies of the Consob Regulation of Issuers.

Name	Office held	Periode of office	List(*)	Independent from Code	% of attendance in meetings	Other offices held ⁽¹⁾
Cristiano Antonelli	President	From 29.04.09 to 31.12.11	M	X	100%	4
Ada Alessandra Garzino Demo	Statutory auditor	From 29.04.09 to 31.12.11	M	X	100%	17
Paolo Claretta Assandri	Statutory auditor	From 29.04.09 to 31.12.11	M	X	100%	29
Alessandro Mikla	Alternate auditor	From 29.04.09 to 31.12.11	M	X	NA	NA
Alessandro Pedretti	Alternate auditor	From 29.04.09 to 31.12.11	M	X	NA	NA

Legend:

M/m: M/list majority list, m/list minority list

(1) A list of all positions held has been annexed, according to art 144-quinquies decies of RE, to the Statutory Auditors' report in compliance to art. 153 paragraph 1 of the TUF.

(*) the last quorum for the presentation of the lists reached 2.5%. Nomination was unanimous and reached favorable votes equal to 56.178% of the share capital.

Following is a brief description of personal and professional characteristics of the members of the of the Statutory Auditors of the Company:

Cristiano Antonelli President of Statutory Auditors

Mr. Cristiano Antonelli is a professor of political economics, Director of the Economic Department Salvatore Cognetti de Martiis, and Director of the Bachelor degree in Institution and Business Communication at the University of Turin, director of BRICK (Bureau of research in Innovation Complexity and Knowledge) at Carlo Alberto College. At present Mr. Cristiano Antonelli collaborates with the Historical Research Office of Banca of Italy, a member of the Board of International Schumpeter Society and chairman of ICER (International Center for Economic Research). He is the editor of the 'Economics of Innovation and New Technology' magazine and along with Bo Carlsson

edits the column 'Economics of Science Technology and Innovation' of Springer. He is member of the Board of Fondazione CRT, Pegaso Investimenti, Pirelli&C and President of the Statutory Board of Transalpina di Energia. Mr. Cristiano Antonelli graduated from the University of Turin and has a Bachelor in Political Sciences. Furthermore he obtained a Master in Economics at ISTAO of Ancona. During 1978 and 1979 he was a junior economist of the Science and Technology department of the OCSE and Rockefeller Fellow in the Sloan School of Massachusetts Institute of Technology from 1983 to 1985. He has taught in the universities of Sassari, Calabria, the Polytechnic of Milan and in the universities of Manchester, Nice, Lione, Lumiere, Aix-en-Provence, Paris XIII and Paris XII. During the academic year 1999-2000 he taught in the university of Dauphine Paris IX. In 1998-1999 he was a member of the Board at Telecom Italy; in 1999 and 2000 he was scientific council for Confindustria; Technical scientific council for ENEA from 2000-2004; and Vice –President of International Schumpeter Society from 1999-2004.

Ada Alessandra Garzino Demo Statutory Auditor

Mrs. Ada Alessandra Garzino Demo graduated in Economics at the University of Turin in 1987. She is registered in the Registry of Qualified Accountants and Bookkeepers since 1991 and Registry of Auditors since 1995. She works as a Chartered accountant and provides fiscal and corporate consultancy for medium-large companies as well as Multinationals. Mrs. Ada Alessandra Garzino Demo is specialized in Telecommunication tax matters and fiscal planning. She covers the role of both statutory auditor and president in other companies.

Paolo Claretta Assandri Statutory Auditor

Mr. Paolo Claretta Assandri received a graduate degree in Economics and Commerce at the University of Turin in 1978, is registered in the Registry of Qualified Accountants and Bookkeepers since 1981 and Registry of Auditors since 1983. He works as a Chartered accountant for Studio Zunino Associazione Professionale and provides fiscal and corporate consultancy for medium-large companies as well as Multinationals.

In 2009 the Statutory Auditors met eight (8) times.

The Board of Statutory auditors, in 2009, received the following compensations:

(in Euros)

Name and Surname	Office held	Period of office	Termination of office (*)	Emoluments in Reply S.p.A.	Other compensation	Non monetary benefits
Members in office						
Cristiano Antonelli	Chairman	29/04/09 – 31/12/09	31/12/11	40,387	-	-
Ada A. Garzino Demo	Auditor	01/01/09 – 31/12/09	31/12/11	28,095	-	-
Paolo Claretta Assandri	Auditor	01/01/09 – 31/12/09	31/12/11	28,095	-	-
Members not holding office						
Tommaso Vallenzasca	Chairman	01/01/09 – 29/04/09	-	1,343	-	-

(*) the Board of Statutory Auditors will hold office until the Shareholders' meeting that will approve the December 31, 2011 financial statements

15. Relations with Shareholders

The Board of Directors ensures that a person in charge of relations with investors is identified and periodically assesses the need to constitute a structural function within the company.

Mr. Riccardo Lodigiani has been appointed, under resolution made April 29, 2009 the person in charge of relations with Institutional Investors and with Shareholders (Investor relator) in order to create continuous dialogue with the said persons.

The abovementioned person must exclusively and periodically inform the Chairman and the Chief Executive Officer, Mr. Sergio Ingegnatti of his activities.

On the Company's website (www.reply.eu, Investors – Corporate Governance), the following documents are available:

- Company bylaws;
- Annual calendar of company events;
- Organizational Model pursuant ex art. 6 Legislative Decree no. 231/01 and the ethic Code;
- Code of conduct for internal dealing;
- Corporate Governance Code;
- Regulations on significant operations and related party transactions.

Pursuant to Regolamento di Borsa, the company's calendar for 2010 and the events have been made available to the public within the established terms, and the following dates have been established:

- the Board of Directors meeting to approve the Annual Financial Statements;
- the Board of Directors meeting to approve the first quarter Interim Management Report of 2010 the Half-year report and the third quarter Interim Management Report 2010.

The shareholders meeting will be held on April 29, 2010 for the approval of the Annual Report 2009.

16. General shareholders' meetings

The company encourages and facilitates the participation at the Annual General Meeting providing any necessary information or explanation in order to guarantee a smooth and conscientious participation of the Shareholders.

Article 12 of the Company bylaws establishes that shareholders have the right to intervene during the General Shareholders' Meeting if they have provided written notice pursuant to art. 2370, paragraph two of the Italian Civil Code, two work days prior to the day of the meeting.

The company does not deem necessary the adoption of an Annual General Meeting legislation (aimed at controlling the running of the meetings), as the Articles of Incorporation provide adequate provisions concerning the matter.

The Board of Directors is aware of the recent publication on the *Gazzetta Ufficiale* on March 5, 2010 of the Legislative Decree no. 27 dated January 27, 2010 that has enacted the Community Directive no. 2997/36//CE concerning the rights of Shareholders of listed companies ("Record date") and that disciplines the application of the new regulations starting from the Shareholders' meetings called from November 2010, in light of the contents of the new regulations the company will evaluate whether to amend the by-laws.

17. Other corporate governance practices

System of company's operational procedures – in order to properly apply the company's regulations and to reduce risks connected to the fulfillment of company objectives, Reply S.p.A. has adopted a set of procedures that regulate internal processes, ruling the activities carried out by the single functions and relations with other departments; please refer to what has been described at the paragraph Internal Control System.

18. Changes subsequent to the year end close

Following the year end close no significant changes have been made to the structure of the Corporate Governance.

Turin, March 15, 2010

/s/ Mario Rizzante
For the Board of Directors
The Chairman
Dott. Mario Rizzante