



CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

in accordance with article 124bis of the Consolidated Finance Act, article 89 bis of the Consob Issuers' Regulations and article IA.2.6 of the Stock Exchange Regulation Instructions

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GLOSSARY

Code/Self Governance Code: the Self-Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria to which BasicNet S.p.A applied.

Civ. Cod /c.c.: the civil code.

Board: the Board of Directors of the Issuer.

Issuer/Company: BasicNet S.p.A.

Year: the financial year to which the Report refers (2016).

Consob Issuers Regulation: the Regulation issued by Consob Resolution No. 11971 of May 14, 1999 (as subsequently amended).

Consob Market Regulation: the Market Regulations issued by Consob resolution No. 16191 of 2007 (as subsequently amended).

Consob Related Parties Regulation: the Regulations issued by Consob Resolution No. 17221 of March 12, 2010 (as subsequently amended) in relation to related parties.

Report: the corporate governance and ownership structure report which the company must prepare as per Art. 123-bis CFA.

Consolidated Finance Act/CFA: Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act).

CORPORATE GOVERNANCE REPORT

1. COMPANY PROFILE

The Governance of BasicNet S.p.A. is represented by the Shareholders' AGM, the Board of Directors and the Board of Statutory Auditors.

The Shareholders' Meetings represent all of the Shareholders who resolve, in ordinary and extraordinary session, on the matters required by law and by the Company By-Laws.

The Board of Directors was appointed by the Shareholders' AGM of April 28, 2016. The Board of Directors, at the meeting held subsequent to the Shareholders' AGM, set up internally the Control and Risks Committee and the Remuneration Committee.

The financial statements are audited by an audit firm in accordance with the provisions of law.

2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 22, 2017 (as per Article 123-bis, paragraph 1, of the CFA)

a) Share capital structure (as per Article 123-bis, paragraph 1, letter a), CFA)

The Share capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and is comprised of 60,993,602 ordinary shares with a value of Euro 0.52 each.

At the date of the present Report, the Company holds 5,492,797 treasury shares, equal to 9.006% of the share capital.

The Company has not issued other financial instruments that attribute the right to subscribe to new share issues.

No share-based incentive plans have been introduced which would resulted in an increase, including through scrip issues, of the share capital.

b) Restriction on the transfer of shares (as per article 123-bis, paragraph 1, letter b), CFA)

At the date of the present Report, there are no restrictions on the transfer of shares.

c) Significant holdings (as per article 123-bis, paragraph 1, letter c), CFA)

With reference to Article 1, letter w-*quater* 1) of the CFA¹, BasicNet qualifies as a "Small- Medium-size enterprise" (SME) The significance threshold is 5% of the share capital with voting rights. The list of parties holding, directly or indirectly, more than 5% of the share capital according to the shareholders' register, supplemented by the communications received in accordance with Article 120 of Legislative Decree No. 58 of 1998 and other information held by the company, is as follows:

¹ Article 1 CFA w-*quater*.1) "SME": subject to that established by other legal provisions, small-medium-size enterprises, issuers of listed shares, whose revenues also before admission to trading, are under Euro 300 million, or who have a market capitalisation of under Euro 500 million. Listed issuers who have exceeded both these thresholds for three consecutive years are not considered SME's. Consob regularly issues the enacting provisions of this letter, including the disclosure means which issuers are required to comply with in relation to the acquisition or loss of SME's status. Consob, on the basis of information provided by issuers, publishes the list of SME's on its website.

| Shareholder | % of ordinary & voting share capital | Note |
|----------------------------------|--|---|
| Marco Boglione | 37.076% | Held indirectly through BasicWorld S.r.l. for 36.565% and for the residual 0.511% directly. |
| BasicNet | 9.006% | Treasury shares in portfolio. |
| Wellington Management Group, LLP | 6.148% | Discretionary savings management. |
| Kairos Partners SGR S.p.A. | 5.036% | |

- d) Shares which confer special rights (as per Article 123-bis, paragraph 1, letter d), CFA)
There are no securities which confer special control rights.
- e) Employee participation rights: method of exercise of voting rights (as per Article 123-bis, paragraph 1, letter e), CFA)
There is no share participation programme for employees.
- f) Voting restrictions (as per article 123-bis, paragraph 1, letter f), CFA)
There are no restrictions on voting rights. The issuer has exclusively issued ordinary shares; each share provides one vote (Article 6 of the By-Laws). Article 21 of the By-Laws excludes the right to withdrawal with regards to motions concerning the extension of the company's duration or the introduction or the removal of restrictions on the circulation of equities.
- g) Shareholder agreements (as per article 123-bis, paragraph 1, letter g), CFA)
At the date of the present Report, there are no agreements between Shareholders.
- h) Change of control clause (as per Article 123-bis, paragraph 1, letter h), of the CFA) and statutory provisions on public purchase offers (as per Articles 104, paragraph 1-ter and 104-bis, paragraph 1)
The contractual conditions of the loans in place at the date of the present Report include typical clauses for such loans, such as the maintenance of some conditions concerning the holding of the majority shareholder of the Company.

Statutory provisions in relation to Takeovers

The Extraordinary Shareholders' Meeting of April 29, 2011 approved, among other matters, the change to Article 16 of the Company By-Laws – Powers of the Board of Directors and legal representation – in order to recognise to the Board of Directors the right to undertake, at any moment and without prior authorisation of the Shareholders' Meeting, defensive measures in the case of public offers or exchanges, pursuant to Article 104 of the CFA, as amended by Article 1 of Legislative Decree No. 146 of September 25, 2009. In particular Article 16 includes two paragraphs as follows:

- "the Board of Directors, and any Executive Boards, also have the right to undertake, without a Shareholders' Meeting authorisation, all acts and operations against the objectives of a public share or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer".
- "the Board of Directors, and any Executive Boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the company, undertaken before the communication as described above and whose implementation could negate the achievement of the objectives of the offer".

- i) Power to increase the Share Capital and authorisation to purchase treasury shares (as per Article 123-bis, paragraph 1, letter m), CFA)

- Powers to increase the Share Capital

The Board of Directors do not have powers to increase the Share Capital pursuant to Article 2443 of the Civil Code.

- Authorisation of share buy-back plan

The Shareholders' AGM of April 28, 2016 approved, for a period of twelve months, or until the next Shareholders' AGM to approve the 2016 Annual Accounts, the authorisation to purchase and utilise a maximum number of shares, which taking into account those already held by the Company, does not exceed the limits permitted by law, for a maximum expected financial commitment of Euro 3.5 million. Based on this authorisation the Company, at the date of the Report, had acquired 732,797 shares, equal to 1.2% of the Share Capital. BasicNet today holds a total of 5,492,797 treasury shares (9% of the Share Capital), for a total investment of Euro 12.1 million.

- l) Direction and co-ordination activities (as per Article 2497 and subs. of the Civil Code)

BasicNet S.p.A. is not subject to management and coordination pursuant to Article 2497 and thereafter of the Civil Code and has full authority to implement its general and operating strategies.

BasicNet S.p.A. considers that it is not subject to the management and coordination of BasicWorld S.r.l., a company which holds 36.565% of the share capital, also with reference to Article 37 of the Consob Markets Regulation:

1. there are no rules which permit the limitation of independent decisions of BasicNet S.p.A., either in contractual form or through organisational procedures;
2. it does not have in place with BasicWorld S.r.l. any centralised treasury arrangement;
3. the Control and Risks Committee exclusively comprises Independent Directors.

Pursuant to Article 2497-bis of the Civil Code the directly and indirectly held Italian Group subsidiaries have identified BasicNet S.p.A. as the party which exercises management and coordination of their activities. This activity involves oversight of the general strategic directives and in the definition and amendment of the Internal Governance and Control model, and the sharing of the Ethics Code adopted at Group level. In addition, the coordination involves the central management within BasicNet S.p.A. of the Treasury, personnel, corporate affairs, operating control and Information Technology services.

These activities permit both economies scale and adequate coordination and operational control.

- m) Other information

It is noted that:

- the disclosures required by Article 123-bis, paragraph 1, letter 1) (*"the agreements between the company and directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer"*) are contained in the Remuneration Report pursuant to Article 123-ter of the CFA, available on the company's website www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp;
- the disclosures required by Article 123-bis, paragraph 1, letter l) of the CFA ("applicable regulations concerning the appointment and replacement of directors, in addition to the amendment of the by-laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.1).

3. COMPLIANCE (as per Article 123-bis, paragraph 2, letter a), CFA)

The Corporate Governance system adopted by BasicNet S.p.A. incorporates the rules and procedures within the Company's By-Laws and provisions of law, which outlines the system of management and control of the Company and of the Group.

This is mainly based on the principles and recommendations contained in the Self-Governance Code of listed companies issued by Borsa Italiana, available on the website Borsa Italiana (<http://www.borsaitaliana.it/comitato-corporate-governance/homepage/homepage.htm>).

The Annual Report, which is published on the website www.basicnet.com/contenuti/corporate/corporategovernance.asp illustrates the Governance structure of the Group, as well as the level of compliance of the corporate governance system with the recommendations of the Self-Governance Code issued by Borsa Italiana S.p.A..

In line with Recommendation EU No. 208/2014 and paragraph IV of the “Guidelines and transitory system” of the Self-Governance Code provides facts and explanations, where any application principles or criteria were unexpected.

BasicNet S.p.A., nor its strategic subsidiaries, are subject to laws in force outside Italy which affect the corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (as per Article 123-*bis*, paragraph 1, letter I), CFA)

The norms applied in the appointment and replacement of the Directors are in line with legislative and regulatory provisions and Article 13 of the Company By-Laws, in relation to which reference should be made to the company's website www.basicnet.com/contenuti/gruppo/statuto.asp.

The Company is administered by a Board of Directors, made up of between five and fifteen members, including non-shareholders. The Shareholders' Meeting, before their appointment, establishes the number of members of the Board of Directors and the duration of office in accordance with that permitted by law.

The procedure for appointment as per Article 13 provides:

- for filing, at the registered office of the Company, within the terms required by regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personal and professional details of the candidates;
- that the minority shareholders that either alone, or together with other shareholders, holding voting rights not lower than that required by current regulations, will be reserved the appointment of one Director. For 2017, as in previous years, this percentage was 4.5% (Consob Resolution No. 19856 of January 25, 2017);
- that the procedure for electing the Directors shall be as follows: i) from the slate which obtained the highest number of votes, based on the progressive order with which they are listed in the slate, all the members necessary are elected to fill the number of Directors established for the Shareholders' Meeting, while ensuring the gender balance provisions are complied with, except 1; ii) from the slate which obtained in the Shareholders' Meeting the second highest number of votes one member is elected of the Board of Directors as the first candidate on this slate;
- consideration is not taken of the slates which have not obtained at least the number required by the Company By-Laws for the presentation of the slates;
- should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting is taken to decide between them with the candidate being elected through a simple majority of the votes. In the case of presentation of only one slate, or in the case of no slate presented, the Shareholders' Meeting deliberates in accordance with the statutory majority.

Should one or more vacancies occur on the Board, Article 2386 of the Civil Code shall be applied, as follows:

- a. the Board of Directors appoints the replacements from the same slate to which the previous directors belonged, choosing where necessary a replacement considered independent as per applicable law, with the shareholders' meeting voting upon such by statutory majority, respecting this principle;
- b. when the above-mentioned slate does not contain candidates not previously elected or, where required, candidates considered independent as per applicable law, the Board of Directors makes the replacement without satisfying the previous point a). by statutory majority;
- c. when the above-mentioned slate does not contain candidates not previously elected or, where required, candidates such as to ensure compliance with the applicable gender

equality legislation, the Board of Directors makes the replacement without satisfying the previous point a)., as does the Shareholders' Meeting, also by statutory majority.

Executive directors succession plans

The Board of Directors, in view of the ownership structure and the allocation of duties, decided not to adopt succession plans for any replacement of the Executive Directors, not considering it necessary to identify parties or criteria for their selection in advance of the need to replace an executive director.

4.2. COMPOSITION OF THE BOARD OF DIRECTORS (as per Article 123-*bis*, paragraph 2, letter d), CFA)

The Board of Directors in office, comprising 12 members, was appointed by the Shareholders' Meeting of April 28, 2016, which elected:

- from the slate filed by the shareholder BasicWorld S.r.l., which held 22,071,666 shares, equal to 36.187% of the share capital, 11 Directors, as: Marco Boglione – Chairman, Paola Bruschi, Paolo Cafasso, Giovanni Crespi, Alessandro Gabetti Davicini, Renate Hendlmeier, Adriano Marconetto, Daniela Ovazza, Carlo Pavesio, Elisabetta Rolando and Franco Spalla;
- from the slate filed by the legal firm Trevisan & Associati on behalf of a number of shareholders, holding a total of 5,210,113 shares, equal to 8.542% of the share capital, 1 Director, as Ms. Elisa Corgi.

The duration of office is established as three years and therefore until the Shareholders' AGM called for the approval of the 2018 Annual Accounts.

The Board of Directors, which met following the Shareholders' AGM:

- reconfirmed Daniela Ovazza as the Vice Chairman of the Board of Directors and appointed Franco Spalla as the new Vice Chairman, with the duty to assist the Chairman on special or strategic projects;
- appointed Giovanni Crespi as Chief Executive Officer;
- ascertained the independence of the Directors: Elisa Corgi, Renate Hendlmeier and Adriano Marconetto;
- appointed to the Remuneration Committee: the Non-Executive Director Carlo Pavesio, as Chairman, the Non-Executive Vice Chairman Daniela Ovazza and the Independent Directors Renate Hendlmeier and Adriano Marconetto;
- appointed to the Control and Risks Committee the Independent Directors Elisa Corgi, as Chairman, Renate Hendlmeier and Adriano Marconetto;
- reconfirmed the Director Paolo Cafasso as the Executive Officer for Financial Reporting.

At the subsequent meeting of May 13, 2016, the Board of Directors noted the appointment of the new members of the Control and Risks Committee, which in order to ensure the continuity of work of the Committee, unanimously agreed on the proposition to the Board to appoint the Director Renate Hendlmeier as Chairperson.

At the meeting of February 15, 2017, the Board of Directors called the non-executive and independent Director Elisa Corgi to sit on the Remuneration Committee.

The Board of Directors, in its current composition, complies with the "gender quota" rules under Law No. 120 of July 12, 2011 and Article 144-*undecies* 1 of the Issuers' Regulation. Therefore, the Board of Directors of BasicNet S.p.A. has had in place at least two female directors since listing.

A brief curriculum vitae of the members of the Director in office, with indication of the offices held in other listed companies or companies of significant size is listed below.

The curriculum vitae of the Directors in office are also available on the website of the company at www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp.

Marco Daniele Boglione – Chairman of the Board of Directors (Director since 1984)

Born in 1956, he is the Group's founder. After experience with Maglificio Calzificio Torinese S.p.A., he has been an entrepreneur since 1985.

He is also a Board member of subsidiary companies. He is the Chief Executive Officer of BasicWorld S.r.l., a Director of the Piedmont Foundation for cancer research (non-profit) and Chairman of the

Piedmont Oncological Foundation. He is a Board member of the Turin General Industrial Union. In June 2011, he was appointed a “Cavaliere al Merito del Lavoro” (Italian State Recognition) by the President of the Republic Giorgio Napolitano and since June 2014 has been a member of the Council of the Piedmont section of the “Cavalieri del Lavoro”.

Daniela Ovazza – Vice Chairman – Member of the Remuneration Committee (Director since 1994)

Born in 1956, he graduated in Economics and Commerce in Turin, joining the business world in 1984.

He is a Director of TESA S.p.A., Non-Executive Director of C.L.S. S.p.A. and a Director of CGT Truck S.p.A..

Franco Spalla – Vice Chairman (Director since 2001)

Born in 1952, he graduated in Company Management from the University of Turin.

He is also a Board member of subsidiary companies. He is an Independent Director and member of the Control and Risks Committee of Intek Group S.p.A., a company listed on the Milan Stock Exchange. Between 1998 and 2011 he was the Chief Executive Officer of Fenera Holding S.p.A. and the Chief Executive of BasicNet S.p.A. between 2002 and April 2016.

Giovanni Crespi – Chief Executive Officer (Director since 2007).

Born in 1959, he obtained a degree in Political Science. He began his career in the publishing sector. Between 1986 and 1990 he was the assistant to the General Manager of the publishing group Fabbri, Bompiani, Sonzogno and Etas Group S.p.A. and publisher of the Etas brand. From 1990 to 1991 the General Manager of Eurolibri Rusconi Editore S.p.A., from 1991 to 1999 Vice Chairman and General Manager of “The Walt Disney Company Italy S.p.A.”. From 1999 to 2003 he was the Chief Executive Officer and General Manager of the Istituto Geografico De Agostini S.p.A., from 2003 to 2006 the Chairman of Rodale International and since 2008 has been the Chairman and Chief Executive Officer of Rhiag Group S.p.A.. Until the end of 2015, he was an Independent Director of Innovest S.p.A. and a Director of Sirti S.p.A., HIIT S.p.A. and of UnoPiù S.p.A..

He is also a Board member of subsidiary companies.

Paola Bruschi – Director (Director since 2007).

Born in 1967, he graduated in Economics and Commerce. He has worked with BasicNet since 1993 and currently acts as the Vice President Organisation and is a member of the Supervisory Board and the Director in charge of the internal control and risk management system.

He periodically attends the presentation of case studies at the Economics and Commerce faculty of Turin, the Corporate Administration School, ISTUD courses, School of Management of the Milan Polytechnic.

Paolo Cafasso – Director (Director since 1995).

Born in 1956, he graduated in Economics and Commerce, and qualified as a certified accountant and auditor. Between 1980 and 1994 he was an auditor with Arthur Andersen & Co., servicing the main clients in the Turin area, particularly in the industrial and commercial sector. He has worked with the Group since 1994 and, in addition to executive roles at other Group companies, is the Vice President Finance, CFO and Executive Officer for Financial Reporting.

Elisa Corghi – Independent Director - Member of the Control and Risks Committee and the Remuneration Committee (Director since 2016)

Born in 1972, she graduated in Economics and Commerce. She gained useful experience as the brand manager at the marketing departments of Barilla Alimentare and Kraft Foods, with involvement in the drafting and management of the best seller marketing plans for both enterprises. Subsequently, she dedicated herself for over ten years to the financial analysis of consumer sector listed companies (Recordati, Diasorin, Amplifon, Parmalat, Autogrill, Campari, Indesit Company, De’Longhi, Saeco), as primary responsibility, and for luxury sector companies (Luxottica, Tod’s, Brunello Cucinelli, Ferragamo, Bulgari), as secondary responsibility, acting as a senior sell-side

analyst at Intermonte SIM, a leading Italian market operator, of which she was a partner. In this role, she was involved in the development of forecast models and the fundamental valuation of listed companies, the drafting of the investment case and the investment recommendations to sales and institutional clients, organisation and involvement in roadshows to support contact between the top management of listed client companies and the managers of domestic, UK and US investment funds. Recently, she worked with a digital start-up in the fashion - clothing sector and initiated and participated in the due diligence for a luxury sector M&A.

She is an independent director of the listed company Tecnoinvestimenti S.p.A. and a Director of Cornelian S.p.A..

Alessandro Gabetti Davicini – Director (Director since 2010).

Born in 1965. He has acted as the General Manager of Lactalis Italia S.p.A. and Strategic Development Director of the Galbani Group.

Currently, he is an Executive Director of Fenera Holding S.p.A., Director of Fenera Equity Investments S.r.l., Director of Tosetti Value S.r.l., Director of SDM S.r.l., Director of FDAH (Forno d'Asolo Holding), the Sole Director of Pantarei S.r.l. and the Vice Chairman of Francesco Franchi S.p.A..

Renate Hendlmeier – Independent Director - Chairperson of the Control and Risks Committee and member of the Remuneration Committee (Director since 2015)

She was born in Plattling in 1957. She was the CFO of the Basic Group between 1987 and 1999 and thereafter headed and coordinated the Basic Group's property management activities between 1999 and 2003, while being involved in corporate reorganisation between 2004 and 2006.

She currently holds corporate and voluntary positions with an international association based in Turin.

Adriano Marconetto – Independent Director - member of the Control and Risks Committee and the Remuneration Committee (Director since 2007).

Born in 1961, he is an entrepreneur focused in the technology start up sector. Between 1995 and 1999 he was the Marketing Director of BasicNet and subsequently the co-founder and Chairman of the Board of Directors of Vitaminic S.p.A., until 2003; between 2005 and 2012 he founded and subsequently acted as the CEO of the company Electro Power System S.p.A. In 2012 he founded and managed the company ProxToMe, Inc. and took on the role of Executive Chairman. In 2015, he founded the company YAR S.r.l., of which he is CEO. He is involved in various non-profit activities.

Carlo Pavesio – Director - Chairman of the Remuneration Committee (Director since 1994)

Born in 1956, graduating in law and achieving a Masters of Laws (LL.M.) in 1980 at the London School of Economics. He completed an "internship" in 1980-1981 with the Economic Commission of the European community legal service in Brussels and was the "Visiting Foreign Lawyer" in 1985-1986.

He is a Senior Partner with the legal firm Pavesio and Associati, previously a partner with Allen & Overy and with Brosio Casati e Associati. His experience is principally centred on legal and non-legal questions and corporate and contractual law for Italian and foreign clients. He is specialised in M&A operations, joint ventures and corporate restructuring, in addition to generational transfer, governance and trusts. He also has experience in arbitration and disputes.

Currently, he is the Chairman of the Board of Directors of BasicWorld S.r.l., Fenera Holding S.p.A., Società Reale Mutua di Assicurazioni, Italiana Assicurazioni S.p.A., Farmaceutici Procemsa S.p.A. (Vice Chairman), Tosetti Value SIM S.p.A., BasicItalia S.p.A., P. Fiduciaria s.r.l., Simon Fiduciaria S.p.A. and Francesco Franchi S.p.A. and is a member of the Supervisory Board of the Piedmont Oncological Foundation. For many years, he has been an active member and officer of the IBA - International Bar Association and is a member of the Directive Committee of the Piedmont Chamber of Commerce. He is a Member of the Board for Relations between Italy and the United States. He is an Honorary Consul of the Republic of Panama. He is Chairman of the Piedmont Arbitration Board.

Elisabetta Rolando – Director (Director since 2013).

Born in 1960, working from 1989 to 1992 as an assistant to the President of Football Sports Merchandise (S.p.A.) (now BasicNet S.p.A.), from 1994 to 1997 Director of the company Mad Cap S.r.l., specialised in the production of promotional clothing and accessories and thereafter from 1997 to 1999 commercial manager at Swingster Europe S.p.A., a subsidiary of BasicNet specialised in corporate merchandise, and from 1999 at the BasicNet Group as a senior manager.

Currently within the Group, she is the Executive Chairperson of BasicItalia S.p.A. and of BasicRetail S.r.l..

Maximum number of offices held in other companies

The Board of Directors does not consider it necessary to limit the maximum number of offices which each Director may hold, also in view of the consistently high participation of all members at meetings of the Board of Directors.

Induction Programme

The Directors, in practice, have the facility to participate in meetings subsequent to their appointment and during their mandate with the Chairman and Management, in order to remain updated on corporate affairs and relevant changes. They also continually have access to financial and operational information from the BasicManagement portal.

4.3 ROLE OF THE BOARD OF DIRECTORS (as per Article 123-*bis*, paragraph 2, letter d), CFA)

The Board in 2016 met seven times, with meetings lasting on average two and a half hours and with full attendance on all occasions of the Board.

In January 2017, the company published its financial calendar which established the days for the five Board meetings for 2017, for the review of the preliminary results, the approval of the 2016 separate and consolidated financial statements, the approval of the half-year report and the review of the quarterly disclosure to the market. As established by Article 82-*ter* of the Issuers' Regulation, the same press release confirmed the company's position on the publication of additional financial disclosure. In particular, BasicNet announced that it will continue to publish the quarterly results on a voluntary basis, until any differing assessment. The quarterly results communicated to the market shall comprise a summary of the commercial performance by Brand and by region and a presentation of the key commercial indicators (compared with those for the same period of the previous year). The Quarterly disclosure shall be published in a press release to be issued on conclusion of the Board of Directors' meetings called to approve the above results.

The calendar is available on the website www.basicnet.com.

On February 15, the first meeting was held, which reviewed the 2016 preliminary results.

The documentation concerning the matters under discussion is generally sent in advance to the Directors and Statutory Auditors. In accordance with the Code, the Board of Directors, considering the operating dynamics of the Company and the Group, identified the period of two days as appropriate for the sending of preliminary meeting material, except in the cases of urgency. The above-stated deadline was complied with for Board meetings in 2016.

The Chairman ensures that the handling of each matter on the Agenda is allocated the necessary time to ensure constructive debate, considering debate among the Board as useful for the motions to be considered.

Executives of the company may participate at the Board meetings, on the invitation of the Chairman, where there is a need to provide guidance on the matters on the Agenda. In 2016, the Vice President Sales and the Vice President Sourcing participated at a meeting of the Board, who respectively contributed with regards to the activities of the commercial and productive licensees. The Directors and the Statutory Auditors of BasicNet were in addition invited to participate at a meeting of the Board of Directors of the subsidiary BasicItalia for details upon the operating performance of the subsidiary, which represents a significant portion of Group operations.

The Board is invested with the widest powers deemed appropriate in order to achieve the Company's aims and objectives, with the sole exception of those that are expressly reserved for the Shareholders' Meeting by law.

As recommended by the Self-Governance Code, the Board of Directors, among other matters:

- a. reviews and approves the strategic and financial plans of the Company and of the Group, defines the organisational structure of the Companies of the Group and the corporate governance system of BasicNet. The implementation of the plan is usually reviewed at the meetings called for the approval of the interim financial statements;
- b. verifies the mapping of the corporate risks and their control. This activity seeks to evaluate the risk in defining the development potential of the Group over the medium/long-term; in this regard, during the Board of Directors meetings, detailed disclosure is provided on the activities carried out and upon the major operations executed by BasicNet S.p.A. and the Group companies. The Board examines from time to time significant operations carried out by the Issuer or the subsidiaries, also when such are within the powers conferred to the Chairman or the Chief Executive Officer.

The following significant operations are within the remit of the Board of Directors: the acquisition and/or sale of company shares, companies, business units or brands of a value greater than Euro 4 million, the signing of sponsorship contracts with an annual cost of greater than Euro 5 million, debt operations of a value greater than 60% of the consolidated net equity, the granting of any guarantees, obligatory or secured by patronage letters (with the exception of subsidiaries) greater than Euro 4 million. Article 16 of the By-Laws assigns to the Board of Directors the remit to consider, in accordance with Articles 2505 and 2505-bis of the Civil Code, the merger by incorporation of one or more companies in which all shares or in which at least 90% of all shares are held; the opening or closing of secondary offices; the indication of Directors with powers to represent the company; the amendment of the By-Laws in line with regulatory provisions; the reduction of the share capital in the case of shareholder withdrawal; the transfer of the registered office within the national territory. In addition, in accordance with the first paragraph of Article 2410 of the Civil Code, the Board of Directors may approve the issue of bonds;

- c. evaluates the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries with strategic importance, which has been implemented by the Executive Directors with particular reference to the internal control and risk management system. In addition to the companies holding the brands, the strategic companies are BasicItalia S.p.A., which is the Italian licensee of the Group, and BasicRetail S.r.l., which manages the Group's retail operations. Continuity in the composition of the Board of Directors of the companies of the Group has facilitated, in fact, the functions of control, timely disclosure and coordination of instructions to the subsidiaries;
- d. assigns and revokes the delegation of powers to the Executive Directors, establishing the limits and manner of exercising such power and the frequency of reporting, normally not less than three months, through which the Executive Directors must report to the Board on the activities undertaken in relation to the powers conferred, in accordance with Article 13 of the Company By-Laws;
- e. evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;
- f. examines and approves the company and its subsidiaries' operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Company, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties, and, in general, transactions with related parties.

At the Board meeting of March 22, 2017, the Board of Directors, having received suggestions from directors participating at the individual committees and in view of the consistent presence of all Directors at the meetings, in addition to the extensive contributions to the discussions, considered the size, composition and functioning of the Board and its committees as appropriate with regards to their respective competences for the achievement of the objectives of BasicNet S.p.A. and the Group. The clarity and timeliness of the information prepared by the Chief Executive Officer concerning Board meetings, as well as the periodic updating on regulatory provisions and duties of the Directors, enabled the Directors to undertake their duties in a knowledgeable and informed manner. The number of Executive and Non-Executive Directors is also considered appropriate, also in terms of the independent directors.

The Board in addition examines, on a half-yearly basis, the report of the Control and Risks Committee illustrating the findings of their activities and controls and their opinion on the adequacy of the internal control system. At the meeting of March 22, 2017, the Board noted the substantially positive opinion of the Committee, also in view of the supplementation, development and coordination activities in 2017 regarding the control system, suggested by the Committee and by the Board of Statutory Auditors. For this purpose, the 2017 budget allocated to the Control and Risks Committee was increased.

The Shareholders' AGM of April 28, 2016, on the appointment of the Board, permitted the Directors elected not to be restricted by a non-competitive clause, as per Article 2390 of the Civil Code. The Directors are however requested, both on the acceptance of office and during the period of their office and thereafter, to report in a timely manner to the Board of Directors operating appointments in competing groups.

4.4. EXECUTIVE BOARDS

The Board of Directors at the meeting of April 28, 2016 reconfirmed Daniela Ovazza as the Vice Chairman of the Board of Directors and appointed as a new Vice Chairman Franco Spalla and Giovanni Crespi as the Chief Executive Officer. The Chairman of the Board of Directors was appointed by the Shareholders' AGM held on the same date.

In accordance with Article 13 of the By-Laws, the Vice Chairman executes the role of Chairman in the case of the latter's absence.

The Board of Directors on April 28, 2016, in addition to assigning the new Vice Chairman Franco Spalla the role of assisting the Chairman upon special or strategic projects, granted management powers to the Chairman and the Chief Executive Officer, as outlined below:

- to the Chairman, Marco Boglione, all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 4 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 5 million with reference to the annual cost of sponsorship contracts, 60% of the consolidated net capital of the Company, in relation to financing operations and Euro 4 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies);
- to the CEO, Giovanni Crespi, all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 3 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 3.5 million with reference to the annual cost of sponsorship contracts, 50% of the consolidated net capital of the Company, in relation to financing operations and Euro 3 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies).

At the same meeting, the Director Paolo Cafasso was conferred, as Group Finance Director, executive powers for the administrative and financial management of the Company.

At the date of the present Report there are no interlocking directorates.

Chairman of the Board of Directors

The Board Meeting of April 28, 2016 noted that the accumulation of offices of Chairman and Executive Director of Marco Boglione was justified within the Corporate Governance practice of business continuity, in that he is the founder of the Group and has always been directly involved in the activities of the Company.

As already illustrated at point 2.C of the present Report, Mr. Marco Boglione holds 22,383,334 shares, equal to 37.076% of the share capital, of which 22,302,501 shares, equal to 36.565% of the share capital, indirectly through the subsidiary held 90.58%, BasicWorld S.r.l. and, directly, 311,668 shares, equal to 0.511% of the share capital.

Executive committee (as per Article 123-bis, paragraph 2, letter d), CFA)

The Board of Directors did not set up an Executive Committee.

Reporting to the Board

The Executive Boards reported to the Board and the Board of Statutory Auditors at their meetings, at least on a quarterly basis, with regards to the activities carried out in the exercise of their powers, on the general operating performance and the outlook and also on the most significant operations undertaken by the company and its subsidiaries.

4.5. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman Marco Boglione, the Chief Executive Officer Giovanni Crespi, the Directors Paola Bruschi, Vice President Organization, Paolo Cafasso, Group Chief Financial Officer and Elisabetta Rolando, Executive Chairperson of the Board of Directors of the subsidiary BasicItalia S.p.A. are Group Executive Directors.

4.6 INDEPENDENT DIRECTORS

The Board of Directors includes three Independent Directors: Elisa Corgi, Renate Hendlmeier and Adriano Marconetto.

The Board of Directors on their respective appointment to office and in the Board meeting of March 22, 2017 assessed, on the basis of their declarations, the independence of the Directors Elisa Corgi, Renate Hendlmeier and Adriano Marconetto, both in relation to the requirements of Consob regulations and the criteria of the Self-Governance Code. With regards to the criteria at Article 3.C.1 letter e) of the Self-Governance Code, the Director Adriano Marconetto considered that his holding of the position since 2007 and therefore for more than nine years does not affect his independence.

No specific meetings of the independent Directors are planned, however they may meet independently where considered necessary or beneficial at the margins of the Control and Risks Committee meetings, of which they are all members.

The criteria and procedures were reviewed by the Board of Statutory Auditors. For the year 2016, the Board of Statutory Auditors communicated the results of these controls in the report of the Board of Statutory Auditors to the Shareholders' AGM.

4.7 LEAD INDEPENDENT DIRECTOR

The Self-Governance Code recommends the appointment of a lead independent director by the Board of Directors where the Chairman controls the Issuer or is the main executive in charge of operations.

The Board meeting of April 28, 2016 considered that the accumulation of offices of Chairman and Executive Director by Mr. Marco Boglione was justified in view of the need to ensure the strategic and operating continuity of the Group, as he is the Group's founder and has also always been directly involved in the company's operations. The Board in addition considered, also in light of the composition of the Board of Directors, in addition to the size and organisational structure of the company, that this concentration of offices does not affect his impartiality and balance as the Chairman of the Board of Directors, and that the information flows with non-executive directors and the Board of Statutory Auditors, overseen by the Chairman and the Chief Executive Officer, are complete and timely, therefore not requiring the appointment of a Lead Independent Director. At the meeting of March 22, 2017, the Control and Risks Committee on reviewing the company's Governance, confirmed the Board's position, considering that (i) the Chairman is not the only executive in charge of company management, (ii) powers are also allocated to other members of the Board of Directors and (iii) the Chairman controls the issuer, although commits to open a constructive dialogue with the Independent Directors.

5. HANDLING OF CORPORATE INFORMATION

The Board approved the procedure for the handling of confidential information, subsequently updated with the regulations on Market Abuse. The procedure has recently been updated (in 2016) to incorporate new provisions introduced by the Regulation of the European Parliament and Council of April 16, 2014 No. 596/2014 (MAR).

This procedure contains the regulations for the internal management and external communication of confidential documents and insider information, for the management of delayed disclosure, in addition to the setting up and management, based on a specific IT procedure, of the Register for persons with access to insider information.

Since April 1, 2016, the Internal Dealing Code has been applicable, updated in 2016 to incorporate new provisions of the Regulation of the European Parliament and Council of April 16, 2014 No. 596/2014. The Code governs the procedures for disclosure to the market on operations on BasicNet S.p.A. shares by "Significant Persons" of the Group, as identified by Article 144 and thereafter of the CFA.

The procedure is available on the website: www.basicnet.com/contenuti/gruppo/internaldealing.asp.

In 2016, five Internal Dealing communications were published concerning operations carried out on the BasicNet share (three communications concerning purchases made by BasicWorld S.r.l., a company of which the Chairman Marco Boglione is the majority shareholder, and one communication concerning purchases made by the Chief Executive Officer Giovanni Crespi).

6. INTERNAL COMMITTEES TO THE BOARD (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The Board meeting of April 28, 2016 appointed the Remuneration Committee and the Internal Control and Risk Committee. Since October 28, 2016, the Control and Risks Committee has also been the Related Party Transactions Committee.

The Board did not set up, as illustrated below, an Appointments Committee or other committees.

7. APPOINTMENTS COMMITTEE

In line with evaluations made in the past, the Board of Directors, also in view of the size and shareholding of the Company, did not consider it necessary to set up an Appointments Committee for the nomination of Directors, also given that, in accordance with Article 13 of the Company By-Laws, the Directors are elected through a slate voting mechanism. In addition, the Board of Directors retain that considerations on the size and composition of the Board of Directors, proposals to nominate candidates as Directors in the event of co-optation and succession planning of Executive Directors, fall within the remit of the entire Board of Directors and as such may be discussed and approved within the Board meetings.

8. REMUNERATION COMMITTEE

Composition and Operation of the Remuneration Committee (as per Article 123-*bis*, paragraph 2, letter d) CFA)

At the Board meeting of April 28, 2016, the Board appointed the Remuneration Committee composed of the Non-Executive Directors Carlo Pavesio - Chairman, Daniela Ovazza and the Non-executive and independent directors Renate Hendlmeier and Adriano Marconetto.

At the meeting of February 15, 2017, the Board of Directors called the non-executive and independent Director Elisa Corghi to sit on the Committee.

The Chairman of the Committee, Carlo Pavesio, has knowledge and experience of remuneration policies, having held this position also in other companies.

The Board considers that the Committee adequately undertakes its duties, formulating proposals in line with the objectives and performance of the Group.

The proposals of the Committee have always been approved by the Board of Statutory Auditors and the Independent Directors.

The Directors usually do not attend the meetings in which the proposals are presented to the Board relating to their remuneration.

The work of the Committee is usually recorded by the Chairman Carlo Pavesio, who provides information on the content of the discussions at the next appropriate Board meeting.

The Committee's duties include the presentation to the Board of proposals for the drawing up of a general policy for the remuneration of executive directors and senior executives, evaluating periodically, on the preparation of the annual remuneration report, the adequacy and the overall consistency and concrete application of the general policy adopted for the remuneration of Executive Directors and Senior Directors, referring in this latter regard to the information received from the Chief Executive Officer, monitoring the application of the decisions adopted by the Board itself, verifying in particular, where necessary, the effective achievement of the prefixed objectives.

The Committee has access to the information and departments necessary for the carrying out of its remit. The Committee did not utilise external consultants and does not avail of a specific expenses budget for the execution of its duties.

The Committee in 2016 met on two occasions to draw up a bonus remuneration proposal for the 2015 results, to be granted to executive directors in light of the Group results for 2015 and to draw up an Executive Director remuneration proposal on the basis of the powers granted at the Board meeting of May 13, 2016, in consideration of the appointment of the new Board of Directors and Executive Boards.

9. REMUNERATION OF DIRECTORS

For further information on the present section reference should be made to the significant parts of the Remuneration Report published pursuant to Article 123-ter of the CFA.

On March 22, 2017, the Board, with the favourable opinion of the Control and Risks Committee, as the Related Parties Committee, approved the BasicNet S.p.A. Remuneration Report available on the company website, together with the Shareholders' AGM documentation, at www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp.

In summary, the Remuneration Policy adopted requires the Shareholders' Meeting to approve the annual remuneration of all Board members; the remuneration of the Directors holding specific offices and for the members of the Internal Committees of the Board is determined by the Board of Directors, pursuant to Article 2389 of the Civil Code, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors.

For the Executive Directors, the remuneration policy of the Group to date has not provided for the fixing of performance objectives on which variable remuneration is based. Usually additional remuneration identified by the Board of Directors is granted, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors. This amount is identified on approval of the preliminary results where advances for the key financial indicators are reported on the previous year. For these reasons, it was decided not to defer the variable part, nor undertake contractual agreements which enable the company to request the repayment, in full or in part, of the variable components of remuneration.

The Group structure does not provide for senior executives, with the exception of the Directors of BasicNet and the Chairman of BasicItalia.

The Board establishes in addition the remuneration of the members of the Committees, of the Supervisory Board, of the Internal Auditor and of the Executive in charge in the preparation of corporate accounting documents; for these latter two positions, no incentive mechanisms are provided for.

No stock option plans have been established for Directors.

Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer (as per Art. 123 bis, para. 1, letter i) of the CFA)

The disclosures required by Article 123-bis, paragraph 1, letter 1) ("the agreements between the company and directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer") are contained in the remuneration report pursuant to Article 123-ter of the CFA, available on the company's website www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp.

10. CONTROL AND RISKS COMMITTEE

Composition and operation of the control and risks committee (as per Article 123-bis, paragraph 2, letter d) CFA)

The Control and Risks Committee was appointed at the Board meeting of April 28, 2016. The Committee is composed of three Independent Directors: Renate Hendlmeier – Chairperson, Elisa Corghi and Adriano Marconetto. On their appointment the Board considered that the members had adequate accounting and financial experience.

In 2016, the Committee met four times and had regular access to the corporate documents requested and principally reviewed:

- the reports prepared by the Internal Auditor and the Supervisory Board;
- the updating of the risk self-assessment document;
- the implementation of new procedures;

- the application of new compliance and disclosure regulations;
- the significant information relating to the company performance.

The Committee also met with the Independent Audit Firm to evaluate the correct application of the accounting standards and their uniformity in the preparation of the consolidated financial statements. Finally, on the conclusion of the process it assessed the results reported by the audit firm.

The Committee has met three times in 2017. Also in light of its new composition, it reviewed the main procedures.

The Committee meetings, which were all documented in company records, held for a duration of approx. 2 hours, were attended by - in addition to the Committee members - the Finance Director and Group Executive Officer for Financial Reporting, Paolo Cafasso, the Internal Audit Head, the Vice President Organization Paola Bruschi, the Chairman of the Board of Statutory Auditors, another statutory auditor and the Chairman of the Supervisory Board. The Chairman of the Committee provides information on the content of discussions at the next appropriate Board meeting.

From October 28, the Control and Risks Committee is also the Related Party Transactions Committee. This Committee is tasked with expressing the opinions required by Article 7 and 8 of the Consob Regulation approved with motion No. 17221 of March 12, 2010 and subsequent amendments on significant and less significant transactions with related parties.

Duties attributed to the Internal Control and Risks Committee

The Committee proposes to the Board of Directors on the appointment, revocation and remuneration of the internal audit manager, as well as on the adequacy of the resources available for these duties.

In particular, the Committee supports the Board of Directors as follows:

- evaluates, together with the Executive Officer for Financial Reporting and following the approval of the independent audit firm and the board of statutory auditors, the correct application of the accounting standards and their uniformity in the preparation of the consolidated financial statements;
 - expresses opinions on specific aspects concerning the identification of the principal corporate risks;
 - examines the periodic reports, concerning the evaluation of the internal control and management of risks system and prepared by the internal audit department;
 - monitors the independence, adequacy, efficacy and efficiency of the internal audit department;
 - may request the internal audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
 - at least every six months, at the time of the approval of the annual and half-yearly accounts, reports to the board on the work carried out and the adequacy of the internal control system;
- in the case in which the Board becomes aware of prejudicial events, supports with appropriate preparatory activity the assessments and decisions of the Board of Directors concerning the management of such events.

The Committee has access to the information and departments for undertaking their duties and may request the Board of Directors the assistance of external consultants.

At the meeting of March 22, 2017, the Board of Directors increased the annual budget available to the Committee and the Internal Control and Risk Management System, considering it more appropriate to handle the supplementation, development and coordination of control procedures suggested by the Committee.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk system involves the processes that monitor the efficiency of the company operations, the reliability of the information provided to the corporate boards and the market, compliance with legislation and regulations and the protection of the company's assets. It in addition contributes to conducting business activity in line with the objectives defined by the Board, supporting the undertaking of knowledgeable decisions.

The Board of Directors oversees the Internal Control and Risk Management system, defining the guidelines and periodically verifying the adequacy and effective functioning, ensuring that the principal corporate risks are identified and adequately managed.

The Board of Directors verifies that the risks to which BasicNet and its subsidiaries are exposed are correctly identified, managed and monitored in line with the Group's strategic objectives.

This activity, carried out with the support of the Director in charge of the Internal Control and Risk Management System and the Control and Risks Committee, seeks to evaluate the risk in defining the development potential of the Group. The Board has not established general numeric parameters to identify the nature and the level of risk compatible with the Group's strategic objectives, but from time to time reviews any significant operations carried out by the Issuer or the subsidiaries, also when such are within the scope of powers conferred to the Chairman or the Chief Executive Officer.

The Ethics Code, the Sourcing Center Ethics Code which includes social compliance principles and the organisational, management and control Model as per Legislative Decree 231/2001 and subsequent integrations, are an integral part of the internal control and risk management system. The rules of conduct contained in the model, continually evolving, integrate and strengthen the corporate control system through the preparation and continual updating of the related procedures.

The Internal Auditing department verifies the overall adequacy, efficiency and effectiveness of the internal control and risk management system, in particular, considering that some departments are centralised at the Parent Company, it contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments.

In order to ensure oversight on the Group directives and strategies some Directors of BasicNet S.p.A. are also members of the Board of Directors of the subsidiaries.

In terms of the assessment of the internal control and risk management system, the Board of Directors on March 22, 2017 considered that the system is substantially appropriate to oversee the typical business risks associated with the main operating activities. In particular, it decided to carry out, on the suggestion of the Control and Risks Committee and the Board of the Statutory Auditors, in 2017 supplementation of the main control procedures, in support of coordination, development and sustainability within a single integrated model.

Control and risk management system in relation to the financial reporting process (as per Article 123-bis, paragraph 2, letter b), of the CFA)

1) Introduction

The internal control and risk management system in relation to the financial reporting process (hereafter the System) is the set of overall rules and corporate procedures adopted by the various company departments to permit, through an adequate identification process of the principal risks related to the preparation and dissemination of financial information, the reaching of the corporate objectives of true and fair disclosure.

The System seeks to provide reasonable certainty that the financial reporting – including consolidated reporting - communicated to the public is reliable, fair, true and timely, providing the users with a true and fair representation of the operational facts, permitting the issue of the declarations required by law that they correspond to the documented results, accounting records and underlying accounting entries of the facts and of the communications of the company to the market and also relative interim financial reporting, as well as the adequacy and effective application of the administrative and accounting procedures during the period to which the accounting documents refer (Annual Accounts and Half-Year Report) and in accordance with applicable international accounting standards.

For the completion of the System, a risk assessment was undertaken in order to identify and evaluate the risk areas which could arise such as to compromise the achievement of the control objectives and the efficacy of disclosure provided by the corporate boards and to the market. The risk assessment also took into account the risk of fraud. The identification and evaluation process was undertaken with reference to the entire Company and at process level. Once the risks were identified an evaluation was undertaken, considering both qualitative and quantitative aspects and the identification of specific controls in order to reduce the risk related to the non-achievement of the objectives of the System to an acceptable level, both at Company and process level.

- 2) Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure.

The System provides for:

- a set of rules and procedures for the preparation of financial statements and monthly reporting and a financial calendar for an efficient exchange of information between the Parent Company and its subsidiaries;
- an identification and assessment process of the major Group companies and of the principal company processes for the preparation of the income statement and balance sheet, through qualitative and quantitative analysis;
- a process of identification and evaluation of the principal risks of errors of the accounting and financial information, based on a control process, implemented on a company web platform with levels of protected access, which flags any errors;
- a process of periodic evaluation of the adequacy and effective application of controls, this latter monitored directly by the Executive responsible for financial reporting. The risk and internal control management system relating to financial reporting is coordinated and managed by the Executive Officer for Financial Reporting, in concert with the Internal Audit department, for the verification of control system operations.

The Executive Officer periodically reports to the Board of Statutory Auditors and the Control and Risks Committee on the adequacy, also in organisational terms, and on the reliability of the administrative-accounting system, on the activities carried out and on the efficacy of the internal control system with regards to financial reporting risks.

11.1 EXECUTIVE IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Executive Director Paola Bruschi was appointed at the meeting of April 28, 2016 to oversee the Control and Risks Committee.

Within this role Paola Bruschi oversees the functioning of the internal control and risk management system, identifying the principal corporate risks (operational, financial and compliance), implementing the guidelines defined by the Board and supervises the planning, realisation and the management of the internal control and risk management system, constantly verifying the overall adequacy, efficiency and effectiveness, also with reference to the operating conditions and current legislative and regulatory requirements.

11.2 INTERNAL AUDIT DEPARTMENT MANAGER

The responsibility to verify the overall adequacy, efficiency and effectiveness of the internal control and risk management System was assigned to the Internal Audit department. In particular, considering that some departments are centralised at the Parent Company, this department contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as to the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments.

On appointment, the Board also determined the remuneration for this office, considered in line with the structure of the Group.

The Internal Audit manager, who does not report to any operating department, has access to all information considered necessary to carry out the role. The manager reports to the Control and Risks Committee, the Board of Statutory Auditors and the executive director responsible for the functioning of the internal control and risk management system, at the Committee meetings.

The control activity is principally concentrated on monitoring the principal profitability indicators of some Group companies, through an online reporting instrument on the company's portal. This report constitutes an important monitoring instrument in real-time of the accounting activities and business performance: the data is available for each Group company and analysed by individual account item.

The Internal Auditor assesses the adequacy of the IT systems and the reliability of information available in view of the complexity of the operating environment, the size and the territorial reach of the company and verifies the adequacy of the organisational processes adopted by the company for the physical, logistical and organisational security of the IT system. The Internal Auditor also operates in support of other control system actors involved in the issues of compliance and risk

management, in order to ensure compliance with law and to monitor the exposure level and vulnerability of the company to risks. The Internal Audit department was awarded to an external company Progesa S.r.l. which has no corporate ties to the Group. The activities were outsourced as it was considered that the head of the company, who had already undertaken similar work within the Group, had the necessary attributes to undertake such work efficiently within the Group, on an independent and professional basis.

11.3 ORGANISATION MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

The company adopted an "Organisation and management model as per Legislative Decree No. 231/2001", which is continually updated in line with the introduction of new offenses under the framework regulation.

The provisions of the Model complete the Group Ethics Code and the Ethics Code for the Sourcing Centers, which set out the rules and ethical responsibilities for the conducting of business and relations between the company and the various interest holders. The model, continually evolving, integrates and strengthens the corporate control system through the preparation and continual updating of the related procedures. It also provides for a disciplinary system which appropriately sanctions non-compliance with the measures and principles contained in the above-stated documents.

For the effective dissemination of the Ethics Code and of the organisation and control model these were published on the company's website www.basicnet.com/contenuti/corporate/codiceetico.asp in the area dedicated to Group employee time-keeping. The Ethics Code is presented on a video to all new employees of the Group and to all consultants.

The Board of Directors at the meeting of April 28, 2016 reconfirmed the Supervisory Board (OdV) as Giuliana Baronio (outside consultant involved in BasicNet Corporate Affairs), Paola Bruschi (Board member and Director in charge of the Internal control and risk management system) and Mario Sillano (Director of the company Progesa with involvement in Internal Audit). The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates. The Supervisory Board reports on at least a half-yearly basis to the Control and Risks Committee and to the Board of Statutory Auditors.

11.4 INDEPENDENT AUDIT FIRM

The audit is carried out by an independent audit firm registered in the relevant registrar. The Shareholders' Meeting of April 30, 2008 appointed the audit firm PricewaterhouseCoopers S.p.A.. The appointment concludes with the approval of the 2016 Annual Accounts.

In August 2016, two pieces of legislation entered into force, one at domestic level (Legislative Decree No. 135 of July 17, 2016) and one at EU level (Regulation (EC) No. 537/2014), both concerning the auditing of accounts. In particular, the European Regulation establishes that the Boards of Statutory Auditors of listed companies, on conclusion of a selection procedure prepared and conducted by the company, identifies at least two possible alternatives and expresses its preference for one. The proposal to the Shareholders' Meeting for the assigning of the new appointment will include therefore the recommendation and the preference expressed by the Board of Statutory Auditors.

Under the new regulatory provisions, at the end of 2016 a procedure for the carrying out and selection of offers, approved by the Board of Directors, the invitation letter to candidates, which includes the means by which the candidates should present their offer and a rating model to measure the key features of the offers received through scoring assigned to each, were prepared. The indication of the key features was made in line with best international practice, favouring the quality and reliability of work of the audit firm to be appointed. The model comprises a technical section, measuring the qualitative characteristics of the offers received, and a financial section which assesses the financial aspects.

11.5 EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The Board meeting of April 28, 2016 confirmed for three years, with the favourable opinion of the Board of Statutory Auditors, the Executive Officer for Financial Reporting as the Director Mr. Paolo Cafasso, Group Finance Director. Paolo Cafasso holds many years of experience in the administrative, financial and control areas, as well as the qualifications required by law for the holding of the office of Director.

In the undertaking of his duties Mr. Paolo Cafasso has the power to approve the corporate procedures impacting upon the financial statements, on the consolidated financial statements and on other documents which may be audited, and may participate in the design of the IT systems which impact upon the financial position of the company; he may avail of an adequate organisational structure to undertake his activities, utilising internal resources available and, where necessary, outsourcing; he may also, where necessary, utilise the financial resources of the company, providing adequate information to the Board of Directors, and he may utilise the Internal Audit department for the mapping and analysis of processes and the execution of specific controls.

The Executive Officer periodically reports to the Control and Risks Committee and the Board of Statutory Auditors on the activities carried out and collaborates on an ongoing basis with the Independent Audit firm.

11.6 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The information generated within the internal control system called BasicManagement and risk management shared on the web in a dedicated operating control section. The meetings of the Control and Risks Committee, attended usually by the internal control and risk management manager, the Executive Responsible, the Internal Audit Manager, the Supervisory Board and at least one member of the Board of Statutory Auditors, provide an opportunity for the parties involved in the system to meet and coordinate.

12. DIRECTORS INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors, in accordance with Consob Regulation No. 17221 of March 12, 2010 adopted, with the favourable opinion of the Independent Directors, the procedure for transactions with related parties. The procedure was subsequently updated in October 2016 in order to be more flexible, over time, to differing organisational features and the size of the company. The main amendments concern:

- the General Principles - Article 2 "scope" and Article 4 of the Procedures - "Approval of transactions with related parties", to which paragraph 4.2.1. was added, which establishes procedures for the approval of significant transactions where the company exceeds the limit for minor transactions.

BasicNet is identified, for the purposes of the Consob Regulation incorporating related party transaction provisions, as a "smaller company" (companies presenting both assets written to the balance sheet and revenues as per the last approved consolidated financial statements not in excess of Euro 500 million) and, therefore, utilises a simplified system for the approval of significant transactions whereby the rules for the approval of less significant transactions are applied;

- Amendments to Article 3 introduction - "Related Party Transactions Committee".

In relation to the presence of two or more Independent Directors on the Board, Article 3 was redrawn, providing for the setting up of a Related Parties Transactions Committee comprising three independent and non-executive Directors. This function was assigned to the Control and Risks Committee.

The approval of the transactions with related parties is the responsibility of, both in relation to significant transactions, as BasicNet falls within the application of Article 3, paragraph 1, letter f) of the Related Party Regulations, and in relation to minor transactions, to the Board of Directors, or the Executive Board, provided they are not a related party in the transaction, within the limits of their delegated powers, with prior non-binding opinion of the Independent Directors.

In general, exempted from the procedure, in addition to all the matters expressly indicated by the Related Party Regulation issued by Consob, are insignificant operations (amounts not above Euro 150 thousand), provided they are undertaken at market or standard conditions within the ordinary operations of the business and of the related financial activities; the operations concluded with or between subsidiaries, including joint ventures, by BasicNet, provided in the subsidiary companies there are no counterparties in the operation that have interests, qualified as significant, of other related parties of the Company; the operations with associates provided that the associated company counterparties in the operation do not have interests, qualified as significant, of other related parties of the Company.

Significant interest is not considered to exist by the mere sharing of one or more Directors or one or more senior management responsibilities between BasicNet and the companies of the subsidiary.

A procedure was implemented which transmits an alert mail through the “basic procurement” order system when an order is uploaded to the web for a related party, identified on the basis of declarations received from related parties or parties closely linked to them (members of the Board of Directors and Board of Statutory Auditors) and by the database management system.

As outlined in the chapter concerning remuneration, the Board, with the favourable opinion of the Independent Directors and the Board of Statutory Auditors, in 2016 passed motions on two occasions concerning the remuneration of executive directors. In 2015, no resolutions were presented to the Board of Directors concerning transactions with related parties.

The procedure is available on the company's website:

www.basicnet.com/contenuti/corporate/particorrelate.asp.

13. APPOINTMENT OF STATUTORY AUDITORS

The regulation applicable for the appointment of the members of the Board of Statutory Auditors is in accordance with legislative and regulatory provisions and Article 17 of the Company By-Laws, in relation to which reference should be made to the company's website www.basicnet.com at www.basicnet.com/contenuti/gruppo/statuto.asp.

The Board of Statutory Auditors consists of three standing and two alternate members.

As the minority shareholders, as identified by the legal and regulatory provisions, are reserved the election of a Statutory Auditor and an Alternate Auditor, the procedure at Article 17 of the By-Laws provides that the appointment of the Board of Statutory Auditors takes place on the basis of slates presented by Shareholders, in which the candidates are listed by progressive numbering.

The slate is composed of two sections: one for the candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. The slates must be drawn up so as to ensure that the resultant Board of Statutory Auditors complies with the applicable gender balance regulations in force.

Only shareholders which individually or together with other Shareholders hold shares with voting rights representing the share capital percentage required by the Company, which will be indicated in the call notice of the Shareholders' Meeting for the approval of the Board of Statutory Auditors, may present slate.

Together with the filing of slates the Shareholders must present or deliver to the registered office of the company documentation declaring the ownership of the number of shares with voting rights necessary for the presentation of the slate.

Each shareholder, in addition to shareholders belonging to the same group, in accordance with Article 2359 of the Civil Code and the parties belonging to, also through subsidiaries, a shareholder agreement in accordance with Article 122 of Legislative Decree No. 58 of February 24, 1998, may not present, nor vote upon, nor through nominees of trust companies, more than one slate.

In the case of violation of this rule no consideration is taken on the vote of the shareholder on any list;

Each candidate can be presented only on one slate at the risk of being declared ineligible.

Candidates may not be included on the slates if they already hold a greater number of Statutory Auditor positions than permitted by the regulatory or legal provisions. The outgoing statutory auditors may be re-elected.

In accordance with Article 1, paragraph 3, of the Ministry for Justice Decree No. 162 of March 30, 2000

the sectors closely related to those in which the Company operates are:

- for the research, development, styling, production and sale of products and services, in particular textile products, clothing, footwear, eyewear, leatherwear, sporting equipment and goods, in addition to accessories for these sectors;
- for the management and development of brands.

The areas closely related to the company's sector are:

- industrial, commercial and tax law, in addition to economics and business, accountancy and corporate finance.

The slates accompanied by exhaustive disclosure on the personal and professional characteristics of the candidates, with indication of the presenting shareholders and the overall share capital percentage held, in addition to the declaration of shareholders other than those who hold, also jointly, a controlling or relative majority holding, declaring the absence of connecting relationships as per the applicable regulations, with these latter, must be filed at the registered office of the company by the deadline established by applicable legislative and regulatory provisions.

Together with each slate, within the regulatory and legally established timeframe, a declaration in which the individual candidates accept their candidature, must be filed at the company's registered office, stating under their own responsibility, the inexistence of reasons for ineligibility and incompatibility, as well as the existence of the requisites for the respective assignments, in addition to those required for directorships held in other companies.

Slates presented that do not comply with all of the above formalities are considered as not presented.

The procedure for electing Statutory Auditors are as follows:

- a. from the slate which obtained the highest number of votes in the shareholders' meeting, based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;
- b. from the slate which obtained the second highest number of votes at the shareholders' meeting, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

The Chairman of the Board of Statutory Auditors is the first candidate indicated on the slate that obtained the second highest number of votes.

In the case of parity of votes between slates, the candidates from the slate having a higher equity investment are elected or, subordinately, with the greater number of shareholders.

In the case of presentation of only one slate, all candidates will be taken from that slate, with the Chairman the first listed on the slate.

Where it is not possible to proceed with the appointment according to the above system, the Shareholders' Meeting deliberates by statutory majority.

Where his/her legal requisites no longer exist, the statutory auditor must leave office.

In the case of the replacement of a statutory auditor, including the Chairman, where possible the Alternate Auditor belonging to the same slate as the discontinuing auditor joins the board and in the case of the replacement a Statutory auditor elected from the minority slate, the first candidate on the minority slate receiving the second highest number of votes joins the board in their place. In the cases in which a replacement results in non-compliance with the legally established gender balance criteria, the Board of Statutory Auditors shall be supplemented.

For the supplementation of the Board of Statutory Auditors:

- for the supplementation of the Statutory Auditors from the majority slate the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the majority slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;
- for the supplementation of the Statutory Auditors from the minority slate, including the Chairman of the Board of Statutory Auditors, the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the minority slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;
- for the simultaneous supplementation of the Statutory Auditors, elected both from the majority slate and minority slate, including the Chairman of the Board of Statutory Auditors, the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated both on the majority slate and on the minority slate, of a number of Statutory Auditors equal to the number of which whose mandate concludes from the same slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions.

Where it is not possible to proceed in accordance with the previous paragraph, the Shareholders' Meeting to supplement the Board of Statutory Auditors votes according to a relative majority of the share capital represented at the Shareholders' Meeting, while ensuring that the right to representation of the minority has been complied with, in addition to the regulatory required gender balance provisions.

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The Board of Statutory Auditors was appointed by the Shareholders' AGM of April 28, 2016, which elected:

- from the slate filed by the shareholder BasicWorld S.r.l., which holds 22,071,666 shares, equal to 36.187% of the share capital, Messrs. Massimo Boidi and Carola Alberti – Statutory Auditors and Fabio Pasquini - Alternate Auditor;
- from the slate filed by the legal firm Trevisan & Associati on behalf of a number of shareholders, holding a total of 5,210,113 shares, equal to 8.542% of the share capital, Ms. Maria Francesca Talamonti - Chairman of the Board of Statutory Auditors and Giulia De Martino, Alternate Auditor.

The composition of the Board of Statutory Auditors has been in line with the "gender quota" required by the new Consob regulation since the company's listing.

Each member of the Board of Statutory Auditors has declared on appointment to hold the good standing and professional requirements in accordance with law and the Company By-Laws.

The outcome of this recognition was reported in the press release issued by the company subsequent to appointment.

The Board of Statutory Auditors verified the independence of their members based on the criteria of the new Self-Governance Code, confirming to the Board of Directors at the meeting of March 22, 2017 the independence of their members in accordance with the above-mentioned Code.

The documentation filed for the purposes of the appointment, including the updated curriculum vitae of the statutory auditors, is available at www.basiconet.com/contenuti/gruppo/organisocialisocieta.asp.

A brief curriculum vitae of the members of the Board of Statutory Auditors in office, with indication of the offices held within the Group or in other listed companies or companies of significant size is listed below.

Maria Francesca Talamonti – Chairperson of the Board of Statutory Auditors (Statutory Auditor since 2016)

Born in Rome in 1978. She graduated in Economics and Commerce from the LUISS Guido Carli University in 2002. She has been enrolled to the Accountants Register of Rome since 2006 and the Auditors' Register since 2007. Holding a Doctorate in Business Economics, she is currently teaching planning and control under a substitute contract at the Unitelma Sapienza Computing University and has a supplementary contract at the Business and Management Department of the LUISS Guido Carli University of Rome.

Since 2006, she has worked as a freelance corporate, accounting and finance consultant; she is a Statutory Auditor for companies belonging to Groups headed by listed companies.

She is an independent Director of Elettra Investimenti S.p.A (an Aim Italia listed company), the Chairperson of the Board of Statutory Auditors of Servizi Aerei S.p.A. and a Statutory Auditor of Costiero Gas Livorno S.p.A., Driver Servizi Retail S.p.A., Raffineria Milazzo S.c.p.A. and Romairport S.p.A..

Carola Alberti – Statutory Auditor (Statutory Auditor since 1999)

Born in 1957, she qualified as a Certified Accountant in 1985 and as an auditor in 1990. She has been enrolled at the Court-appointed Technical Consultants register since 1997 and on the Experts' Register of the Turin Court since 1999.

Since March 1983 she has been an associate with the Studio Boidi & Partners firm in Turin.

Her professional activities concern tax and corporate consultancy, principally with companies and groups, and assistance and consultancy in the tax dispute field.

Within the Group, he is a Statutory Auditor of BasicVillage S.p.A..

She holds the office of Statutory Auditor of Ekipo S.p.A., Statutory Auditor of Erre Esse S.p.A., Statutory Auditor of Italcables S.p.A. in liquidation and Statutory Auditor of BasicWorld S.r.l.

Massimo Boidi – Chairman of the Board of Statutory Auditors (Statutory Auditor since 1989)

Born in 1955. Since 1981 he has acted as a Certified Accountant and since 1988 an auditor. He was a Professor at the Faculty of Economics of the Turin University for “Legal, fiscal and regulatory issues” for the level 1 Masters in Private Banking for the year 2010-2011. Since 1980, he has collaborated also with the Economic Law Institute, also at the Economics Faculty, where he continues to act as the resident expert on Commercial Law. He is a member of the Board of the Turin Certified Accountant Association for the 2017-2020 period and a co-manager of the “231/2001 Working Group” of the Association.

He is a Director overseeing the “Corporate Controls” area of the Turin-Ivrea-Pinerolo Certified Accountant Association and since April 2013 Chairman of the Board of Directors of “Synergia Consulting Group S.r.l.”, a professional alliance of 14 of the most cited Italian commercial research centres, located throughout Italy.

His professional activities principally include tax and corporate consultancy, both domestically and internationally, acting as the Chairman of the Board of Statutory Auditors or as a Statutory Auditor or a member of the Supervisory Board for a number of companies.

Collaborates, in addition, with specialised sector magazines, publishing Articles relating to tax, legal, and corporate liability issues concerning companies the entities.

He has been the speaker in the same sector at a large number of conventions and research conferences.

Within the Group, he is Chairman of the Board of Statutory Auditors of BasicItalia S.p.A. and BasicVillage S.p.A..

He holds the position of Vice Chairman of Assofiduciaria, Chairman of the Board of Directors of Assoservizi Fiduciari S.r.l. a sole shareholder company, Chairman of the Board of Directors of Torino Fiduciaria Fidor S.r.l., Statutory Auditor of Autoliv Italia S.p.A. with sole shareholder, Statutory Auditor of Michelin Italia S.p.A., Chairman of the Board of Statutory Auditors of BasicWorld S.r.l., Chairman of the Board of Statutory Auditors of Casco Imos S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of DB Cargo Italia S.r.l., sole Statutory Auditor of DB Cargo Italy S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of Dytech – Dynamic Fluid Technologies S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of Ekipo S.p.A., Chairman of the Board of Statutory Auditors of Erre Esse S.p.A., Chief Executive Officer of Fidicont S.r.l., Statutory Auditor of Finpat S.p.A., Chairman of the Board of Statutory Auditors of Fondazione Stadio Filadelfia, sole statutory auditor of GJP S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of Jacobacci & Partners S.p.A., Chairman of the Board of Statutory Auditors of Litmat S.p.A., Chairman of the Board of Statutory Auditors of Quinto S.p.A. with sole shareholder, Statutory Auditor of Sangiorgio Costruzioni S.p.A., of Suzuki Italia S.p.A with sole shareholder, Chairman of the Board of Statutory Auditors of ITW Italy Holding S.r.l., Chairman of the Board of Statutory Auditors of ITW Lys Fusion S.r.l. with sole shareholder and Chairman of the Management Board of Porsche Club Piedmont and Valle d'Aosta.

Giulia De Martino – Alternate Auditor (on Board of Statutory Auditors since 2016)

Born in 1978. She graduated in Economics from the LUISS Guido Carli University in 2001. In March 2001, she won a scholarship to study a Business Economics Doctorate at University Roma Tre. She has been enrolled at the Rome Accountants' Register since 2005.

In 2007, she received a Doctorate in Company Economics from the Roma Tre University presenting the thesis “Business Combinations under IFRS 3 and the new draft of IFRS 3 Amendments”. She has held and holds the position of statutory auditor at leading non-listed Italian companies.

She is an Independent Director of Elettra Investimenti S.p.A. (an Aim Italia listed company), a Statutory Auditor of Saipem S.p.A., Anas Internazionale S.p.A., Quadrilatero Marche and Umbria S.p.A., Armonia SGR S.p.A., Autostrade del Molise S.p.A., e-geos S.p.A., Eni Trading e Shipping

S.p.A., Raffinerie Gela S.p.A., Agi S.p.A., EniAdifn S.p.A., Parentope Finanza di Progetto - ScpA and the Chairperson of the Board of Statutory Auditors of Novasim S.p.A. in liquidation. She is also a member of the Oversight Committee, on the appointment of the Bank of Italy, of Credito Cooperativo Interprovinciale Veneto in I.c.a., Valore Italia Holding di partecipazioni S.p.A. and Independent Private Bankers sim S.p.A.

Fabio Pasquini – Alternate Auditor (on Board of Statutory Auditors since 1999)

Born in 1953, he qualified as a certified accountant and auditor. He acts principally in the tax and corporate consultancy fields, both domestically and internationally, and in the tax planning field, acting as a Director and member of the Board of Statutory Auditors on a number of companies and bodies.

Expert in problem issues relating to the acquisition and sale of enterprises and companies.

Appointed to assist and represent contributors in tax disputes before the tax commissions.

Within the group, he is a Statutory Auditor of BasicItalia S.p.A..

He holds the office of Statutory Auditor of Autoliv Italia S.p.A. with sole shareholder, Statutory Auditor of Jacobacci & Partners S.p.A., Chairman of the Board of Directors of Fidicont S.r.l., Chairman of the Board of Statutory Auditors of Sangiorgio Costruzioni S.p.A., Chairman of the Board of Statutory Auditors of S.p.A. Michelin Italiana, Chairman of the Board of Statutory Auditors of Eataly s.r.l., Statutory Auditor of Tipo S.r.l., Chairman of the Board of Statutory Auditors of Clubitaly s.r.l. and Chief Executive Officer of Torino Fiduciaria Fidor S.r.l.

The Statutory Auditors, within their duties, acquired information also through meetings with the independent audit firm, with the Supervisory Board and through attending the Control and Risks Committee meetings.

The Statutory Auditors may participate in meetings subsequent to their appointment and during their mandate with the Chairman and Management, in order to remain updated on corporate affairs and developments. They also continually have access to financial and operational information from the BasicManagement portal.

The Statutory Auditor who, on his/her own behalf or that of third parties, has an interest in a determined transaction of the issuer informs the other statutory auditors and the Chairman of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. This event however has never occurred.

As already indicated in the preceding paragraphs, the Board of Statutory Auditors, in undertaking its activities, liaise with the Internal Audit department and the Control and Risks Committee.

The Shareholders' AGM on appointment established the remuneration of the Statutory Auditors, as a fixed amount, in line with that of the previous mandate and with the role covered and the commitment required, in addition to the size of the company.

15. RELATIONS WITH SHAREHOLDERS

The Chairman and Chief Executive Officer actively undertake dialogue with shareholders and the financial analysts following the company. The Chief Executive Officer acts also as the Investor Relations Manager.

Dialogue with investors has been supported since listing through continuous updates of the website www.basicnet.com, on which financial information of interest to Shareholders in general may be found (Annual Reports and periodic reports, press releases and notices, presentations), in addition to updated data and documents concerning Corporate Governance and regulated information (composition of the Corporate Boards, the By-Laws, the Shareholders' Meeting regulation, the Ethics Code and the Corporate Governance and Ownership Structure Report). The press releases relating to the Brands and Companies of the Group are also available.

16. Shareholder Meetings (pursuant to Article 123-bis, paragraph 2, letter c), CFA.

The shareholders' meetings provide opportunities to meet and communicate with the shareholders. During the Shareholders' Meetings the Chairman and the Chief Executive Officer provide the Shareholders with all the necessary information for the undertaking of resolutions.

The Ordinary Shareholders' Meetings undertake their duties in accordance with Article 2364 of the Civil Code and the Extraordinary Shareholders' Meetings in accordance with Article 2365 of the Civil Code.

In accordance with Article 2365, paragraph 2 of the Civil Code, the Board of Directors was conferred the following duties:

- resolutions, in accordance with Articles 2505 and 2505-*bis* of the Civil Code, concerning the merger by incorporation of one or more companies in which all shares or in which at least 90% of all shares are held;
- the opening and closing of secondary offices;
- indication of which Directors may represent the company;
- modify the company By-laws in compliance with law;
- the reduction of the share capital in the case of return of shares by shareholders;
- the transfer of the registered office in the national territory.

In accordance with Article 2410, first paragraph of the Civil Code, any issue of bonds is decided by the Directors.

The Board of Directors, and any Executive Boards, also have the right to undertake, without a Shareholders' Meeting authorisation, all acts and operations against the objectives of a public share or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer.

The Board of Directors, and any Executive Boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the company, undertaken before the communication as described above and whose implementation could negate the achievement of the objectives of the offer. The Shareholders' Meeting (June 30, 2000, and for supplementation and/or modifications subsequently on April 30, 2011) approved the Shareholders' Meetings Regulations in order to permit the orderly functioning of the meetings and to guarantee the right of each shareholder to take the floor on matters under discussion. The Shareholders' Meeting regulations are available on the Company website:

www.basicnet.com/contenuti/gruppo/regolamento.asp.

As per Article 2 of the Shareholder' Meeting Regulation, those holding shares in accordance with applicable legislation and the by-laws, or their proxies or representatives, may attend and speak at the Shareholders' Meetings. Proof of personal identity is required for attendance at the Shareholders' Meeting. Unless otherwise indicated in the Call Notice, the personal identification and the verification of the right to attend takes place at the location of the Shareholders' Meeting at least one hour before the time fixed for the meeting.

Attendees are assured the possibility to follow and take part in the discussion and to exercise their right to vote using the technical methods established on each occasion by the Chairman: usually time is allowed for contributions by shareholders after the presentation of each matter on the Agenda.

All Directors generally attend the Shareholders' Meetings. The Board of Directors is available to Shareholders to provide the necessary information for the undertaking of fully informed decisions.

During the year, there were no significant changes in the shareholders structure of the Issuer.

17. FURTHER CORPORATE GOVERNANCE PRACTICES (as per Article 123-*bis*, paragraph 2, letter a), CFA)

There are no corporate governance practices further to those indicated in the previous points applied by the Issuer, other than those required by legislation and regulation.

18. CHANGES SUBSEQUENT TO THE YEAR-END

The changes, with regards to the composition of the Remuneration Committee, were described in the relative chapters.

In addition, at the Board meeting of March 22, 2017, the Statutory Auditors Massimo Boidi and Carola Alberti and the Alternate Auditor Fabio Pasquini, appointed by the Shareholders' AGM of April 28, 2016, from the majority slate presented by the shareholder BasicWorld S.r.l., presented, with effect from this Shareholders' AGM, their resignation from the Board of Statutory Auditors of BasicNet S.p.A.. The Shareholders' AGM called for April 27, 2017 shall therefore consider the supplementation of the Board of Statutory Auditors, through the appointment of two Statutory Auditors and an Alternate Auditor.

For the Board of Directors

The Chairman

Marco Daniele Boglione

19. SUMMARY TABLES

Table 1: Board of Directors at December 31, 2016

| Name | Office | Slate | Exec. | Non exec. c. | Ind. | Ind. CFA | attendance BOD |
|-----------------------------|---|-------|-------|--------------------|------|-------------|-------------------|
| Marco Daniele Boglione | Chairman of the Board of Directors (with operating powers) | M | X | | | | 7/7 |
| Daniela Ovazza | Vice Chairman of the Board of Directors (without powers) | M | | X | | | 7/7 |
| Franco Spalla | Chief Executive Officer (until April 28, 2016) | M | X | | | | 3/3 |
| | Vice Chairman of the Board of Directors (without powers) (since April 28, 2016) | M | | X | | | 4/4 |
| Giovanni Crespi | Vice Chairman of the Board of Directors (without powers) (until April 28, 2016) | M | | X | | | 3/3 |
| | Chief Executive Officer (since April 28, 2016) | M | X | | | | 4/4 |
| Paola Bruschi | Director (since April 28, 2016) | M | X | | | | 4/4 |
| Paolo Cafasso | Director with powers | M | X | | | | 7/7 |
| Elisa Corgi | Independent Director | m | | X | X | X | 4/4 |
| Alessandro Gabetti Davicini | Director | M | | X | | | 7/7 |
| Adriano Marconetto | Independent director | M | | X | X | X | 7/7 |
| Renate Hendlmeier | Independent director | M | | x | x | x | 7/7 |
| Carlo Pavesio | Director | M | | X | | | 7/7 |
| Elisabetta Rolando | Director | M | X | | | | 7/7 |

KEY:

Office: office within the Board of Directors.

Slate: "M" for Directors elected from the majority slate and "m" for Directors elected from the minority slate (as per article 144-*decies* of the Consob Issuer's Regulations); "C" means co-opted

Exec.: Director qualifying as executive

Non-exec.: Director qualifying as non-executive

Indep.: Director qualifying as independent as per Self-Governance Code

Ind. CFA: Director meeting the independence requirements established by article 148, paragraph 3, of CFA (article 144-*decies*, of the Consob Issuers' Regulation).

Attendance

BOD: presence at meetings of the Board of Directors; the ratio is the number of meetings attended against the total number of meetings held.

The Board of Directors was appointed from April 29, 2013 and will remain in office until the approval of the 2015 Annual Accounts.

Table 2: Composition of the Committees at December 31, 2016

| Name | Office | Remuneration Committee | % Remuneration Committee | Control and Risks Committee | % Control and Risks Committee |
|--------------------|--|------------------------|--------------------------|-----------------------------|-------------------------------|
| Daniela Ovazza | Vice Chairman of the Board of Directors (without powers) | M | 100% | | |
| Elisa Corghi | Independent director | | | M | 100% |
| Renate Hendlmeier | Independent director | M | 100% | C | 100% |
| Adriano Marconetto | Independent director | M | 100% | M | 100% |
| Carlo Pavesio | Non-Executive Director | C | 100% | | |

KEY

R.C.: C = Chairman M = Member of the Remuneration Committee

% R.C.: indicates attendance, in percentage terms, of the Director at Remuneration Committee meetings

I.C.C.: C = Chairman M = Member of the Control and Risks Committee

% I.C.C.: indicates attendance, in percentage terms, of the Director at Control and Risks Committee meetings

Table 3: Board of Statutory Auditors

| Name | In office from | Slate | Ind as per the Code | % B.S.A. | Other offices |
|---------------------------|-------------------|-------|---------------------|----------|---------------|
| Maria Francesca Talamonti | Chairman | p | Yes | 100 | 6 |
| Carola Alberti | Statutory Auditor | M | Yes | 100 | 32 |
| Massimo Boidi | Statutory Auditor | M | Yes | 100 | 5 |

KEY

Slate: M where the statutory auditor was elected from the majority slate or m where elected from the minority slate (as per article 144 of the Consob Issuer's Regulations)

INDEP.: indicates if the Statutory Auditor is independent in accordance with the Self-Governance Code

% B.S.A.: indicates the attendance, in percentage terms, of the statutory auditor at meetings of the Board of Statutory Auditors

OTHER OFFICES: total number of offices held at companies as per Book V, Section, V, Headings V, VI and VII of the Civil Code, further to the role with the Company.

The Board of Statutory Auditors was appointed from April 28, 2016 and will remain in office until the approval of the 2018 Annual Accounts.