



**CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**

in accordance with article 123 bis of the Consolidated Finance Act, article 89 bis of the Consob Issuers' Regulations and article IA.2.6 of the Stock Exchange Regulation Instructions

Website: [www.basicnet.com](http://www.basicnet.com)

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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 AND OWNERSHIP STRUCTURE REPORT

The Corporate Governance and Share Ownership Report, hereafter summarized, is available in its full version on the Group website ([www.basicnet.com](http://www.basicnet.com) in the section "Corporate Governance BasicNet).

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 19, 2018 (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 6,280,079 treasury shares, equal to 10.296% 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 CFA<sup>1</sup>, 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:

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<sup>1</sup> 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	33.639%	Held indirectly through BasicWorld S.r.l. for 33.128% and for the residual 0.511% directly.
BasicNet	10.296%	Treasury shares in portfolio.
Francesco Boglione	6.275%	Held indirectly through Francesco Boglione S.r.l. for 1.719%, with the residual 4.566% held directly.
Wellington Management Group, LLP	5.043%	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 recognize to the Board of Directors the right to undertake, at any moment and without prior authorization 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 authorization, 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 authorization 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.

- Authorization of share buy-back plan

The Shareholders’ AGM of April 27, 2017 approved, for a period of twelve months, or until the next Shareholders’ AGM to approve the 2017 Annual Accounts, the authorization to purchase and utilize 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 authorization the Company, at the date of the Report, had acquired 717,282 shares, equal to 1.176% of the Share Capital. BasicNet today holds a total of 6,280,079 treasury shares (10.296% of the Share Capital), for a total investment of Euro 15 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 co-ordination of BasicWorld S.r.l., a company which holds 33.128% of the share capital, as the holding company has significant investments in other companies, also with reference to Article 16 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 organizational procedures;
2. it does not have in place with BasicWorld S.r.l. any centralized 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](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp);

- the disclosures required by Article 123-bis, paragraph 1, letter I) 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"*) is 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](http://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](http://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. 20273 of January 24, 2018);
- 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), and d bis of the CFA)

The mandate of the Board of Directors currently in office, appointed by the Shareholders' AGM of April 28, 2016, will conclude at the Shareholders' AGM called to approve the 2018 Annual Accounts, and comprises twelve members, as indicated in the following table:

Members	Office	Slate M/m (*)	Years of service since first appointment (**)	No. Appointments (***)
Marco Boglione	Chairman	M	1999	
Daniela Ovazza	Non-executive Vice Chairman Member of the Remuneration Committee	M	1999	3
Giovanni Crespi	Chief Executive Officer	M	2007	--
Paola Bruschi	Director	M	2007	--
Paolo Cafasso	Director	M	1999	--
Elisa Corgi	Independent and non- executive director Member of the Remuneration Committee and of the Control and Risks Committee	m	2016	4
Alessandro Gabetti	Non-Executive Director	M	2010	3
Renate Hendlmeier	Independent and non- executive director Chairman of the Control and Risks Committee and member of the Remuneration Committee	M	2015	--
Adriano Marconetto	Independent and non- executive director Member of the Remuneration Committee and of the Control and Risks Committee	M	2007	--
Carlo Pavesio	Non-Executive Director Chairman of the Remuneration Committee	M	1999	5
Elisabetta Rolando	Director	M	2013	--
Franco Spalla	Director	M	2001	2

\* In this column M/m is indicated according to whether the director was elected by the majority (M) or minority (m) slate. Quorum for the presentation of slates 4.5%;

(\*\*) This column indicates the date of first appointment of directors since the company's listing (November 17, 1999).

(\*\*\*) This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises (other than those with BasicNet Group companies).

The curriculum vitae of the Directors in office are also available on the website of the company at [www.basiconet.com/contenuti/gruppo/organisocialisocieta.asp](http://www.basiconet.com/contenuti/gruppo/organisocialisocieta.asp).

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.

**Diversity policies**

BasicNet has yet to adopt diversity policies relating to the composition of its Board of Directors, due in part to the fact that the term in office of the current Board of Directors is set to end with the approval of the 2018 Annual Accounts. At the end of its term in office, the outgoing Board of Directors will assess whether to give its opinion of the characteristics of the candidates whose presence is deemed appropriate in light of their educational and professional backgrounds, and possibly also in light of the composition of the Board of Directors in terms of aspects such as age and gender. To remain on this latter subject, the Board of Directors of BasicNet S.p.A. has complied with gender composition requirements since the date of its listing, although such compliance was not mandatory under either the legislation in effect at the time or internal policies.

Female members of the Board of Directors currently occupy 33% of the total seats. In terms of age, 8% of members are between 30 and 50 years of age, while 92% of members are over 50 years of age.

**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. Also, in this regard, the Board of Directors will assess whether it will express a differing opinion at the next appointment 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 2017 met eight times, with meetings lasting on average two hours and with full attendance on all occasions of the Board.

In January 2018, the company published its financial calendar which established the days for the five Board meetings for 2018, for the review of the preliminary results, the approval of the 2017 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 (of January 18, 2017) confirmed the company's position on the publication of additional financial disclosure. In particular, BasicNet 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](http://www.basicnet.com).

On February 19, the first meeting was held, which reviewed the 2017 preliminary results.

The documentation concerning the matters under discussion is 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 always complied with for Board meetings in 2017.

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 2017, the Chief Executive Officer of BasicItalia attended one meeting of the Board of Directors.

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 organizational 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 organizational, 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.

The Board of Directors at the meeting of February 19, 2018 considered the functioning of the Board and its Committees, in addition to its composition and size, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of services, as established by the Self-Governance Code.

In this regard, the Board considers that the choice of appropriate professionals to sit on the Board of Directors is the duty of the shareholders - both minority and majority - on the basis of the slates presented. In light of that above, the Board consider that its self-assessment, or where the same task is assigned to an outsourcer, is a non-substantial act, given that, for the transparency which the Board of Directors of BasicNet has always provided, each director may present at any time suggestions to improve the operation and functioning of the Board and its Committees, with a view to ongoing improvement.

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 19, 2018, 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. At the meeting of February 19, the Board of Directors approved the audit plan for 2018 and confirmed the budget available to the Internal Control System.

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 (leaving office with effect from October 31, 2017), 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 20,517,733 shares, equal to 33.639% of the share capital, of which 20,206,065 shares, equal to 33.128% of the share capital, indirectly through the wholly-owned subsidiary 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, Elisabetta Rolando, Executive Chairperson of the Board of Directors of the subsidiary BasicItalia S.p.A., Franco Spalla, Chief Executive Officer of Jesus Jeans S.r.l. and Chairman of BasicProperties B.V. are 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 19, 2018 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.

As stated in the report to the Shareholders' Meeting called for the approval of 2017 Annual Accounts, the Board of Statutory Auditors has verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

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.

**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 also considers the information flows with non-executive directors and the Board of Statutory Auditors, overseen by the Chairman and the Chief Executive Officer, to be complete and timely and therefore does not require the appointment of a Lead Independent Director, 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 commits to open a constructive dialogue with the Independent Directors. The Control and Risks Committee, at the meeting of February 12, 2018, re-examined the issue, considering that the members of the Committee are also all independent directors of BasicNet, and assessed that sufficient opportunities for communication and meeting exist for the independent directors and therefore the need to appoint a lead independent director as a contact point to coordinate and represent their requests and contributions was not necessary, given that the flows of communication with the Board of Directors and the Chairman of the Board of Directors should not change in substance following appointment. On this basis, it was decided not to appoint a lead independent director, preferring to maintain all of the current communication channels between the independent directors, the other directors and the statutory auditors and the Chairman of the Board of Directors open and active, recognizing the importance of this exchange.

**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 policy was recently updated (2017) and approved at the meeting of February 19, 2018, incorporating the Guidelines upon the management of inside information published by Consob in October 2017.

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 and a Register of persons possessing "relevant 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](http://www.basicnet.com/contenuti/gruppo/internaldealing.asp).

In 2017, two Internal Dealing communications were published concerning transactions carried out on the BasicNet share (one communication concerning the partial non-proportional spin-off by BasicWorld S.r.l., of which the Chairman Marco Boglione is the majority shareholder, through the transfer of part of the company equity and, and precisely, equity securities, including 2,096,436 BasicNet shares, to two "NewCO's", and a communication regarding the 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

At the meeting of March 19, 2018, the Board of Directors assessed the focus on the matter recommended in the letter of December 2017 of the Chairman of the Corporate Governance Committee. On this issue and in line with evaluations made in the past, the Board of Directors did not consider it necessary to set up an Appointments Committee for the nomination of Directors, 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 the 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.

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. In consideration of that stated above, as the Committee avails of company means and structures, specific resources were not assigned.

The Committee in 2017 met on two occasions to review the draft of the Remuneration Report to be presented to the Shareholders' Meeting and to draw up for Group executives the remuneration proposal. The Chairman of the Board of Statutory Auditors attends all meetings of the Committee.

## 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 19, 2018, the Board, with the favorable 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](http://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 favorable 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 favorable 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.

In addition to executive directors of BasicNet, in relation to new appointments assigned, two new strategic directors were identified in the person of the Vice President Sales and the new Chief Executive Officer of BasicItalia S.p.A..

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](http://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 Corgi and Adriano Marconetto. On their appointment the Board considered that the members had adequate accounting and financial experience.

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 met on six occasions in 2017, carrying out the following activities:

- examined the update to the Document for the identification and assessment of risk;
- examined the adjustment and application of new compliance and disclosure regulations. In this regard, it examined the update of the company market abuse and internal dealing policies in view of the new regulatory framework;
- examined the update of the company procedures;
- drew up a proposal for the Board of Directors concerning the composition of the Supervisory Board and a strengthening of Internal Auditing;
- monitored the advancement of the Integrated Controls System project, launched at the beginning of 2017;
- examined the reports prepared by Internal Auditing and the Supervisory Board;
- examined the results of the audit process of the financial statements and the correct utilization of the accounting policies applied and their uniformity in the preparation of the consolidated financial statements;

- examined the methodology used to prepare the Consolidated non-financial report and the Corporate Governance and Ownership Structure Report.
- drew up the Control and Risks Committee Reports and reported to the Board of Directors on activities carried out.
- noted the key performance information;
- expressed a recommendation that the material upon matters on the agenda of the Board of Directors' meetings is made available appropriately in advance.

The Chairperson of the Board of Statutory Auditors, Maria Francesca Talamonti and, in relation to the matters considered, according to the attendances reported for each meeting in the minutes of the Committee meetings, the CFO and Executive Responsible for Financial Reporting of the Group, Paolo Cafasso, the Director in charge of the internal control and risk management system, in addition to the members of the Supervisory Board, Paola Bruschi, the Internal Auditing Manager and member of the Supervisory Board, Mario Sillano, the member of the Supervisory Board Giuliana Baronio, the partners and members of the companies appointed to audit the Group, attended the meetings of the Committee (all minuted), of an average duration of approx. two and a half hours. Five meetings were held jointly with the Board of Statutory Auditors.

The Control and Risks Committee is also the Related Party Transactions Committee. In this role, it reviewed the transactions with Studio Pavesio ed Associati, Studio Capetti, Studio Boidi & Partners, in addition to the renewal of the BasicNet and BasicWorld contracts.

In the carrying out of its duties, the Committee has full access to the information and to the relevant departments necessary. The budget assigned to the Committee and the Internal Control System was used to appoint outside consultants to set up and subsequently implement the Integrated Control System.

#### 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 organizational, 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 centralized 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.

The Group is in addition cognizant of the importance that correct operational information has for the market, investors and the community in general. For this reason, in view of the transparency required for conducting business, the Group considers transparency as an objective in relations with all stakeholders. In this regard, the Group communicates with the market and investors in compliance with the criteria of correctness, clarity and equal access to information. Also with shareholders, all outside communication of documents and information concerning the Group should be based on compliance with law and applicable regulations.

In terms of the assessment of the internal control and risk management system, the Board of Directors on March 19, 2018 considered that the system is substantially appropriate to oversee the typical business risks associated with the main operating activities. In 2017, the main control procedures were supplemented, 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 were 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 organizational 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, realization 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 Auditing department. In particular, considering that some departments are centralized 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 Auditing 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 analyzed by individual account item.

Internal Audit 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 organizational processes adopted by the company for the physical, logistical and organizational security of the IT system. It 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 Auditing function was awarded to an external company Progesa S.a.s. 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

As part of the Internal Control and Risk Management System, the parent company BasicNet and BasicItalia S.p.A. have adopted an "Organization and management model as per Legislative Decree No. 231/2001" (hereafter also the "231 Model"), 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 Conduct 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.

For the effective dissemination of the Ethics Code and of the organization and control model these were published on the company's website [www.basicnet.com/contenuti/corporate/codiceetico.asp](http://www.basicnet.com/contenuti/corporate/codiceetico.asp) in the area dedicated to Group employee time-keeping.

In preparing the Model, account was taken of the existing and operating control systems and policies at the company and considered appropriate, in addition to the Ethics Code, as an integral part of the Model: the Internal Dealing Conduct Policy, the related party transactions policy. 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.

The Board of Directors at the meeting of April 28, 2016 confirmed the members of the Supervisory Board. The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates. In 2017, in order to strengthen the Supervisory Board an external lawyer was appointed, who became the chair of the body. The Supervisory Board reports on at least a half-yearly basis to the Control and Risks Committee and to the Board of Statutory Auditors.

### **Ethics Code**

The Ethics Code is presented on a video to all new employees of the Group and to all consultants. In 2017, 51.5 hours of training were provided with regards to the receipt and application of the Ethics Code, both through classroom and e-Learning platform training, for 151 participations in Italy (approx. 28% of the average workforce in 2017), of which 5 executives, 144 white-collar and 2 blue-collar employees.

The BasicNet Group Ethics Code was recently updated and approved, in its latest version, by the Board of Directors at the meeting of October 2017. The Code is designed to control the conduct of the addressees, identified as the members of the Boards of Directors and Boards of Statutory Auditors, in addition to all BasicNet Group personnel, collaborators and consultants, suppliers and all others acting in the name of and/or on behalf of the BasicNet Group. As reported in this document, the BasicNet Group, in pursuing its objectives, considers a number of conduct principles as critical, including:

- a commitment to internally and externally comply with the laws applicable in the states in which operations are carried out, in addition to the ethical principles of transparency, correctness and fairness in the conducting of business;
- to refrain from illegal or improper conduct (against the community, the public authorities, clients, personnel, investors and competitors) in the pursuit of business objectives;
- to establish organizational tools to prevent the violation of the principles of legality, transparency, correctness and fairness by personnel and collaborators and oversee compliance with these principles;
- to assure the market, investors and the community in general, while protecting the competitiveness of the respective businesses, of full transparency in operations;
- to commit to the promotion of fair competition in support of its interest and that of all market operators and the stakeholders in general;
- to pursue excellence and market competitiveness, offering clients high quality services which efficiently meet their demands;
- to protect and support personnel;
- to responsibly employ resources with a view to sustainable development, respect for the environment and the rights of future generations;
- to protect workplace health and safety conditions and consider human rights as a fundamental aspect of business activity.

The Group does not justify in any way the adoption of conduct conflicting with law and these principles. In this regard, the Supervisory Board oversees compliance with the Ethics Code, promptly reporting to the Control and Risks Committee and the Board of Directors any violations thereof. All stakeholders may report in writing and anonymously any violation or suspected violation of the Ethics Code to the Supervisory Board. Violation of the principles of the Code may result in sanctions. For the effective dissemination of the Ethics Code and of the organization and management model as per Leg. Decree 231/2001, these were published on the company's website [www.basicnet.com/contenuti/corporate/codiceetico.asp](http://www.basicnet.com/contenuti/corporate/codiceetico.asp) in the area dedicated to Group employee time-keeping.

### **Code of Conduct for Sourcing Centers**

The Code of Conduct for Sourcing Centers is a document that establishes the minimum requirements for the working conditions that must be met by all Sourcing Centers selected by the BasicNet Group or by affiliated companies. The Group is committed to ensuring that each link in the production chain complies fully with the principles and conditions enunciated in the Code of Conduct. Accordingly, Sourcing Centers are always liable for full compliance with the Code of Conduct by their suppliers.



Through the Code, BasicNet encourages its business partners to adopt the highest international standards of ethics and best practices in business. Respect for human rights and international labor standards – including the fundamental conventions of the International Labor Organization and the Universal Declaration of Human Rights – were taken as an inspiration and foundation, and many of the guidelines included in the Code of Conduct were based on them. BasicNet reserves the right to stop doing business with Sourcing Centers that are incapable of complying – or reluctant to do so – with the principles and conditions enshrined in the Code of Conduct. The principles cited in the Code of Conduct for Sourcing Centers include:

- a ban on the use by Sourcing Centers of child labor and an incentive for them to verify the age of their workers, keep proof of such verification and comply with all laws and regulations governing working hours and the general conditions of child labor;
- a ban on the use by Sourcing Centers of involuntary labor, defined as work or service done by any person under threat, subject to penalty in the event of non-compliance, where a worker does not offer service voluntarily, a category that includes mandatory, forced prison labor under a binding contract;
- a ban on the use by Sourcing Centers of corporal punishment or any other form of intimidation or physical or mental coercion of its workers;
- a requirement that Sourcing Centers comply with all laws and regulations applicable to the conduct of their business, including the principles set out above. All references to “applicable laws and regulations” in the Code of Conduct extend to national and local codes, rules and regulations, as well as to voluntary treaties relevant to the sector.

Other principles enunciated in the Code of Conduct with which Sourcing Centers must comply include non-discrimination, the protection of health and safety, environmental protection and freedom of association. BasicNet is committed to full and complete compliance with laws and regulations applicable to its business activity and expects that Sourcing Centers will cooperate fully and with due diligence in fulfilling this pledge.

To guarantee awareness of the Code of Conduct, Sourcing Centers are required to take appropriate measures to ensure that workers familiarize themselves with the contents of the Code of Conduct and to post the Code of Conduct, translated into the workers' local language, at each production facility in a highly visible location readily accessible to all workers. Sourcing Centers are also required to select their suppliers carefully and only to do business with suppliers that ensure respect for human rights and full compliance with the principles enshrined in the Code of Conduct. To ensure compliance, BasicNet is authorized to audit Sourcing Centers by conducting scheduled or unscheduled inspections of Sourcing Centers' facilities aimed at monitoring compliance with the Code of Conduct. During such inspections, BasicNet and its representatives may examine books and registers relating to employees and conduct private interviews of the Sourcing Center's employees. If a violation is found to have been committed, BasicNet and the Sourcing Center are required to agree on a Corrective Action Plan aimed at remedying the violation promptly. If a Sourcing Center commits repeated and/or deliberate violations of the Code of Conduct, BasicNet may take the necessary corrective measures, up to and including the cancellation of orders and/or termination of business arrangements with the Sourcing Center concerned.

### **Conflicts of interest and prevention of bribery and corruption**

The Group has implemented a Legislative Decree No. 231/2001 Organization Model and specific internal procedures to establish ethical rules and responsibilities in the conduct of its business and in dealings with its various stakeholders (there are, for example, specific procedures for proper management of dealings with the public administration). In particular, operations are governed by procedures organized in a way that ensures that there is effective oversight by the individual company units (“dotcoms”) concerned. In particular, the Group always ensures clear, transparent and ethical relations with the public administration, in Italy and internationally. As stated in the Ethics Code, addressees of the Code should refrain from improperly influencing the decisions of the Public Administration by offering money or other benefits, such as employment or commercial opportunities in favor of public officials or those providing a public service, in addition to their family members. The Group companies may not provide direct or indirect contributions of any type, nor set up funds in support of public officials, except where permitted and in accordance with applicable law and regulations and on the condition that: (i) they are properly approved by the competent company functions, (ii) they are properly documented from an accounting and operating viewpoint, (iii) they

do not put anyone in a position of conflict of interest. Untruthful statements may not be made to national or EU public bodies for the awarding of public funds, public grants or subsidized financing, or to obtain concessions, permits, licenses or other administrative acts. The direction of funds received from national or EU authorities as disbursements, contributions or financing for objectives other than those intended is prohibited. The altering of computer or IT systems or the manipulation of data contained therein in order to obtain unjust profit and causing damage to the Public Administration is prohibited. In commercial relations with the Public Administration, including also participation in public tenders, conduct should always be in compliance with law and proper commercial practice, while conduct which is undertaken to induce the committal of an offense in seeking advantage for the Group is expressly prohibited.

The financial reports, financial statements and corporate communications required by law and regulations should be prepared with clarity and present a true and fair view of the Group company financial statements. No payments (in any form) may be made in the interest of the Group in the absence of corresponding adequate documentation. Transactions with related parties, including inter-company transactions, should comply with the criteria of substantial and procedural correctness. Those undertaking transactions in conflict of interest are required to report such to their superior or in accordance with that set out in the adopted procedures. The internal control system concerns the control activities undertaken to protect company assets, effectively manage operations and clearly provide information on the Group financial statements, in addition to those activities undertaken to identify and contain company risks.

In addition, the company operates in compliance with applicable anti-money laundering regulations and the provisions issued by the Competent Authorities and for such purposes commits to refraining from undertaking suspect transactions from a correctness and transparency viewpoint.

As part of its efforts to prevent acts of bribery or corruption committed by or targeting Group personnel, the Group complies scrupulously with Italian and international legislation and has adopted a Legislative Decree No. 231/2001 Organization Model that establishes the general principles of the fight against bribery and corruption. All company activities and units are subject to the controls and verification relating to bribery and corruption mandated by the 231 Model.

Following the enactment of the new offence of "corruption between individuals" punished under paragraph three of Article 2635 of the Civil Code, the Supervisory Board decided to modify the Legislative Decree No. 231/2001 Organization Model so that management of the sales process was considered to be one of the Group's "sensitive" activities, especially as regards:

- authorization powers within the process;
- setting the price of sale;
- setting payment conditions and terms;
- setting client discounts;
- managing the tills of directly operated stores;
- managing returns.

Training in matters relating to Legislative Decree No. 231/2001 – which also extended to anti-bribery and corruption policies and procedures – came to 89.5 hours of training in 2017, involving 210 participants, broken down into eight executives, 194 white-collar workers and eight blue-collar workers, all based in Italy. Furthermore, in 2017 all members of the Board of Directors were made aware of the policies applied and procedures implemented with regard to the prevention of bribery and corruption by viewing the Ethics Code and Legislative Decree No. 231/2001 Organization Model.

<b>Participants in training on anti-corruption policies</b>		<b>2017</b>	<b>2016</b>
Executives (No.)		8	6
	% of total Executives*	28.3%	22.9%
White-collar (No.)		194	315
	% of total White-collar*	39.6%	68.5%
Blue-collar (No.)		8	14
	% of total Blue-collar*	29.6%	59.8%
<b>Total (No.)</b>		<b>210</b>	<b>335</b>
	<b>% total Group*</b>	<b>38.5%</b>	<b>65.8%</b>

\*The percentages are calculated on the average workforce in Italy in 2017.

In addition, a clause upon anti-corruption practices is present in the licensing contracts of all Sourcing Centers and Licensees (respectively *Sourcing Agreements* and *Distribution Agreements*).

### **Supervisory Board**

The Board of Directors at the meeting of April 28, 2016 confirmed the members of the Supervisory Board. The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates. In 2017, in order to strengthen the Supervisory Board an external lawyer was appointed, who became the chair of the body. 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' AGM of April 27, 2017 appointed EY S.p.A. to audit the accounts for the 2017-2025 period.

The proposal to the Shareholders' Meeting regarding the new appointment, in accordance with Legislative Decree No. 135 of July 17, 2016 and Regulation (EC) No. 537/2014, contained, on the outcome of a selection process created and carried out by the company, the recommendation and the preference expressed by the Board of Statutory Auditors.

#### **11.5 EXECUTIVE OFFICER FOR FINANCIAL REPORTING**

The Board meeting of April 28, 2016 confirmed for three years, with the favorable 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 organizational structure to undertake his activities, utilizing internal resources available and, where necessary, outsourcing; he may also, where necessary, utilize the financial resources of the company, providing adequate information to the Board of Directors, and he may utilize the Internal Auditing 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 favorable 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 organizational 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, utilizes 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 “procurements” 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.

The procedure is available on the company’s website: [www.basiconet.com/contenuti/corporate/particorrelate.asp](http://www.basiconet.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.basiconet.com/contenuti/gruppo/statuto.asp](http://www.basiconet.com/contenuti/gruppo/statuto.asp).

<http://www.basiconet.com><http://www.basiconet.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, whose mandate shall conclude with the approval of the 2018 Annual Accounts, therefore comprises:

Name	Office held on the Board	Slate M/m (*)	No. appointments (**)
Maria Francesca Talamonti	Chairperson	m	3
Sergio Duca	Statutory Auditor	M	2
Alberto Pession	Statutory Auditor	M	2
Giulia De Martino	Alternate Auditor	m	7
Maurizio Ferrero	Alternate Auditor	M	1

(\*) In this column M/m is indicated according to whether the director was elected by the majority (M) or minority (m) slate.

(\*\*) This column indicates the number of offices of Director or Statutory Auditor held in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises (other than those with BasicNet Group companies).

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 April 27, 2017, subsequent to the appointment of the new members, and recently at the meeting of March 19, 2018, 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 on the website [www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp](http://www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp).

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 Auditing 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](http://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. <http://www.basicnet.com>

#### 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 authorization, 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](http://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

No changes occurred.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 13, 2017 OF THE CHAIRMAN OF THE CORPORATE GOVERNANCE COMMITTEE

In December 2017, the letter of the Chairman of the Corporate Governance Committee (accompanying the "2017 Report on Corporate Governance developments for listed companies") was forwarded, as requested by the former, to the Chairman, to the Chief Executive Officer and to the Chairman of the Board of Statutory Auditors of BasicNet.

Subsequently, this documentation was communicated for the attention of the Control and Risks Committee of February 16, 2018 and the Board of Directors and Board of Statutory Auditors, at the meeting of February 19, 2018.

On this occasion, the Board of Directors reported compliance with the Code in terms of preparatory disclosure to the Board, confirming its opinion both with regards to the claw back clauses and end of mandate indemnities (postponing the assessment of this latter to the meeting to appoint the Board of Directors in 2019), and in terms of the Appointments Committee, as reported respectively in the Remuneration Report and in the Corporate Governance and Ownership Structure Report.

For the Board of Directors

**The Chairman**

Marco Daniele Boglione

## 19. SUMMARY TABLES

**Table 1: Board of Directors at December 31, 2017**

Nominativo	Carica	Lista	Esec.	Non esec	Indip.	Indip TUF	Partecipazione CdA
Marco Boglione	Chairman of the Board of Directors (with operating powers)	M	X				8/8
Daniela Ovazza	Vice Chairman of the Board of Directors (without powers)	M		X			8/8
Giovanni Crespi	Chief Executive Officer	M	X				8/8
Paola Bruschi	Director with powers	M	X				8/8
Paolo Cafasso	Director with powers	M	X				8/8
Elisa Corgi	Independent Director	m		X	X	X	8/8
Alessandro Gabetti Davicini	Director	M		X			8/8
Adriano Marconetto	Independent director	M		X	X	X	8/8
Renate Hendlmeier	Independent director	M		X	X	X	8/8
Carlo Pavesio	Director	M		X			8/8
Elisabetta Rolando	Director	M	X				8/8
Franco Spalla	Director	M	X				8/8

### 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 28, 2016 and will remain in office until the approval of the 2018 Annual Accounts.

**Table 2: Composition of the Committees at December 31, 2017**

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**

Nominativo	In carica	Lista	Indip. da Codice.	% partecipazione C.S.	Altri incarichi
Maria Francesca Talamonti	Chairman	m	Yes	100	3
Sergio Duca	Statutory Auditor	M	Yes	100	2
Alberto Pession	Statutory Auditor	M	Yes	100	2

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.