



CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

in accordance with article 124 *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

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Glossary

Self-Governance Code	the Self-Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria, which BasicNet declared compliant.
Civ. Cod /c.c.:	the Civil Code.
Board:	the Board of Directors of BasicNet S.p.A.
Issuer:	BasicNet S.p.A.
Year:	the financial year to which the Report refers (2019).
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. 20249 of 2017.
Consob Related Parties Regulation	the Issuer Regulations following Consob Resolution No. 17721 of March 12, 2010 (as subsequently amended) in relation to related parties.
Report:	the corporate governance and ownership structure report which the company is required to prepare as per Article 123- <i>bis</i> of the CFA.
Consolidated Finance Act/CFA:	Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act).

CORPORATE GOVERNANCE REPORT

1. COMPANY PROFILE

The BasicNet Group operates in the apparel, footwear and accessories sector through the brands Kappa®, Robe di Kappa®, K-Way®, Superga®, Briko®, Jesus® Jeans, Sabelt® and Sebago®. Group activities involve driving brand enhancement and product distribution through a global network of licensees. This business network is defined as the “Network”. And from which the name BasicNet derives. The Network of licensees encompasses all key markets worldwide.

BasicNet S.p.A. is the parent company of the Group – with headquarters in Turin - listed on the Italian Stock Exchange.

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 19, 2019. 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.

BasicNet is defined as an SME in accordance with Article 1, paragraph 1, letter w-quater 1), of the CFA and Article 2 of Consob Issuers’ Regulation. As of December 31, 2019 consolidated revenues of Basicnet Group amount to Euro 305,7 million and capitalisation at 299,9 million.

2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 4, 2020 (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 7,683,255 treasury shares, equal to 12.892% of the share capital.

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

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

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

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

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

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

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 S.p.A.	12.892%	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.
Kairos Partners SGR S.p.A.	5.448%	

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.

¹ Article 1 CFA w-quater.1) “SME”: subject to that established by other legal provisions, small-medium-size enterprises, issuers of listed shares, whose revenues also before admission to trading, are under Euro 300 million, or who have a market capitalisation of under Euro 500 million. Listed issuers who have exceeded both these thresholds for three consecutive years are not considered SME’s.

Statutory provisions in relation to Takeovers

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

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

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

- Powers to increase the Share Capital

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

- Authorisation of share buy-back plan

The Shareholders' Meeting of April 19, 2019 approved, for a period of twelve months, or until the next Shareholders' Meeting to approve the 2019 Annual Accounts, the authorisation to purchase and utilise a maximum number of shares, which taking into account those already held by the Company, does not exceed the limits permitted by law, for a maximum expected financial commitment of Euro 4 million. As part of the treasury share buy-back programme authorised, BasicNet S.p.A. acquired 820,633 shares (equal to 1.345% of the Share Capital) at an average price of Euro 4.87 for a total payment of Euro 3,999,839. The buy-back programme concluded on December 13, 2019, following the reaching of the authorised spend limit.

BasicNet today holds a total of 7,863,255 treasury shares (equal to 12.892% of the Share Capital), for an investment of Euro 22 million.

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

The Board of Directors reviewed the issue at its July 25, 2019 meeting; on the basis of the assessments made, it concluded that: 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 organisational procedures;
2. it does not have in place with BasicWorld S.r.l. any centralised treasury arrangement;
3. the Control and Risks Committee exclusively comprises Independent Directors.

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

m) Other information

It is noted that:

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

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

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

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

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

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

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

4. BOARD OF DIRECTORS

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

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

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

The procedure for appointment as per Article 13 provides:

- for filing, at the registered office of the Company, within the terms required by regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personal and professional details of the candidates;
- that the minority shareholders that either alone, or together with other shareholders, holding voting rights not lower than that required by current regulations, will be reserved the appointment of one Director. For 2020, as in previous years, this percentage was 4.5% (Consob Resolution No. 28 of January 30, 2020);
- 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),and d bis of the CFA)

The mandate of the Board of Directors currently in office, appointed by the Shareholders' Meeting of April 19, 2019, will conclude at the Shareholders' Meeting called to approve the 2021 Annual Accounts, and comprises fourteen 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 Chairperson Member of the Remuneration Committee	M	1999	1
Federico Trono	Chief Executive Officer	M	2019	--
Alessandro Boglione	Director	M	2019	--
Lorenzo Boglione	Director	M	2019	--
Veerle Bouckaert	Director	M	2019	--
Paola Bruschi	Director	M	2007	--
Elisa Corghi	Independent and Non-Executive director Member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	m	2016	6
Cristiano Fiorio	Independent and Non-Executive director Member of the Control and Risks and Related Parties Committee	M	2019	
Francesco Genovese	Director	M	2019	
Renate Hendlmeier	Independent and Non-Executive director Chairperson of the Control and Risks and Related Parties Committee and member of the Remuneration Committee	M	2015	--
Alessandro Jorio	Director	M	2019	--
Adriano Marconetto	Independent and Non-Executive director Lead Independent Director Member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	M	2007	--

Members	Office	Years of service		
		Slate M/m (*)	since first appointment (**)	No. Appointments (***)
Carlo Pavesio	Non-Executive Director Chairman of the Remuneration Committee	M	1999	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.basicnet.com/contenuti/gruppo/organisocialisocieta.asp.

The Board of Directors, in its current composition, complies with the "gender quota" rules applicable on the appointment date.

Diversity policies

The Board of Directors of BasicNet at the meeting of November 13, 2018 established that:

- application of the new rules and regulations and the statutory provisions guarantee a sufficiently broad diversity profile within the administration and control boards;
- the adoption of a diversity policy shall have greater effect where the Board itself presents also a slate of candidates for the renewal of positions, an undertaking which BasicNet has not yet considered;
- 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;
- decided not to adopt additional diversity policies other than those statutorily-required or recommended under the Self-Governance Code.

Female members of the Board of Directors currently occupy 35.7% (45% in its previous composition) of the total seats. In terms of age, 43% of members are between 30 and 50 years of age (8% in its previous composition), while 57% of members are over 50 years of age (92% in its previous composition).

The Issuer has not adopted any measures to promote equal treatment and gender equality within the corporate boards, also as there were no de facto gender differences in the Group workforce's composition (815 personnel, 514 women, 301 men).

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 and fruitful participation of all members at meetings of the Board of Directors.

Induction Programme

The Directors, in practice, have the facility to participate in meetings subsequent to their appointment and during their mandate with the Chairman and Management, in order to improve their knowledge of the organisational structure and processes 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 2019 met six times, with meetings lasting on average two and a half hours and with full attendance on all occasions of the Board.

In January 2020, the company published its financial calendar which established the days for the five Board meetings for 2020, for the review of the preliminary results, the approval of the 2019 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, 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 and a presentation of the key commercial indicators (compared with those for the same period of the previous year). The Quarterly disclosure shall be published in a press release to be issued on conclusion of the Board of Directors' meetings called to approve the above results.

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

On February 14, the first meeting regarding the review of corporate affairs as per Article 150 of the CFA and Article 13 of the By-Laws was held.

The documentation concerning the matters under discussion was made available in advance to the Directors and Statutory Auditors. In 2019 a dedicated section called "My Documents" was set up whereby useful documents regarding the agenda are uploaded. 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. In this case, the documentation is distributed during the meeting and sent by e-mail upon its conclusion. The above-mentioned deadline was always complied with, usually in advance, for Board meetings in 2019.

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 2019, the Chief Executive Officer of BasicItalia and the Vice President Sales, subsequently appointed to the Board of BasicNet from April 2019, attended the two BasicNet Board of Directors' meetings.

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

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

- c. evaluates the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries with strategic importance, which has been implemented by the Executive Directors with particular reference to the internal control and risk management system. In addition to the companies holding the brands, the strategic companies are BasicItalia S.p.A., which is the Italian licensee of the Group, and BasicRetail S.r.l., which manages the retail operations of the Group, and Kappa Europe S.A.S., in turn held by BasicItalia S.p.A., the holding company for the Group of Kappa® brand licensee companies for France, UK, Switzerland, Spain and Portugal. Continuity in the composition of the Board of Directors of the companies of the Group facilitates, in fact, the 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 March 4, 2020 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 line with the previous guidelines, 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. The Board of Directors believes that the self-assessment activity is more formal than substantial, given the proper functioning of the Board's activities, in addition to the Chairperson's open invitation to the Directors to submit, at any time, useful suggestions for improving the activity and functioning of the Board or its Committees.

The Board in addition examines, on a half-yearly basis, the report of the Control and Risks and Related Parties Committee illustrating the controls carried out and the findings of their activities and their opinion on the adequacy of the internal control system. At the meeting of March 4, 2020, the Board, noting that in 2019 no significant situations or criticalities arose, confirmed its opinion regarding the adequacy of the Group Internal Control and Risk Management System. At the same meeting the Board approved the audit plan for 2020 and confirmed the budget available to the Internal Control System.

The Shareholders' Meeting of April 19, 2019, 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 Shareholders' Meeting of April 19, 2019 reconfirmed Marco Boglione as the Chairperson of the Board of Directors. The Board of Directors, meeting on the same date, reconfirmed Daniela Ovazza as Vice Chairperson of the Board of Directors and appointed Federico Trono as Chief Executive Officer. 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 19, 2019 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, Federico Trono, 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 Paola Bruschi was granted, as Group Finance Director and Executive Officer, powers for the administrative and financial management of the Company.

At the date of the present Report there are no interlocking directorates.²

Chairman of the Board of Directors

The Board Meeting of April 19, 2019 noted the joining of the offices of Chairperson and Executive Director of Marco Boglione, considering it in the company's interest that he continues to oversee certain strategic functions given the success of previous mandates.

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.

² The Self-Governance Code recommends that the chief executive officer does not undertake the position of Director with another issuer (not belonging to the same Group), where the chief executive officer is a Director of the Issuer.

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 Chairperson Marco Boglione, the Executive Directors are the Chief Executive Officer Federico Trono, the Directors Paola Bruschi, Group CFO, Alessandro Boglione, Chief Executive Officer of the subsidiary BasicItalia S.p.A. and Executive Chairperson of the Board of Directors of BasicRetail S.r.l., Lorenzo Boglione, Chief Executive Officer of Basic Trademark Srl and of Superga Trademark S.r.l. and Chairperson of the Board of Directors of BasicAir S.r.l.. The Directors Veerle Bouckaert, Francesco Genovese and Alessandro Jorio are BasicNet S.p.A. executives.

4.6. INDEPENDENT DIRECTORS

The Board of Directors includes four Independent Directors: Elisa Corghi, Cristiano Fiorio, Renate Hendlmeier and Adriano Marconetto.

The Board of Directors on their respective appointment to office and in the Board meeting of March 4, 2020 assessed, on the basis of their declarations, the independence of the Directors Elisa Corghi, Cristiano Fiorio, 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. To underline this, Director Marconetto pointed out that at no point during his period as an independent director of BasicNet did he receive remuneration that was different to the remuneration of Non-executive Directors, or any other remuneration from BasicNet or Group companies, since he was not required to provide any type of consultancy activity, even free of charge. Furthermore, he has never held BasicNet shares or shareholdings in Group companies and has always critically exercised his vote independently of and unrelated to interests other than purely company ones.

In relation to that outlined above, the Board confirms the continued independence of its members. In particular it does not believe that Mr. Marconetto's more than nine years in the role creates a conflict. In fact, the consolidated knowledge of company operations, the support operations to the Board and the absence of specific relations with the company are considered as positive factors which underlie the capacity for independence and unconflicted judgement.

As stated in the report to the Shareholders' Meeting called for the approval of 2019 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.

The Independent Directors did not consider calling specific meetings necessary, since they have the opportunity to meet independently in the margins of the Control and Risks Committee on which they all sit, and meet frequently ahead of Committee meetings.

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. During the meeting of July 27, 2019 to implement this recommendation, the Board of Directors appointed Adriano Marconetto as Lead Independent Director. In this role, as set out in the Self-

Governance Code, Adriano Marconetto provides a point of reference and coordination for the requests and contributions of non-executive Directors, and works with the Board of Directors and the Chairperson of the Board of Directors in order to ensure that Directors receive complete and timely information.

5. PROCESSING 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 updated on February 9, 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, 2006, the Internal Dealing Code has been applicable, updated in 2016 to incorporate new provisions of the Regulation of the European Parliament and Council of April 16, 2014 No. 596/2014. The Code governs the procedures for disclosure to the market on operations on BasicNet S.p.A. shares by “Significant Persons” of the Group, as identified by Article 144 and thereafter of the CFA.

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

In 2019, no Internal Dealing communications regarding transactions on the BasicNet share were received.

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

The Board meeting of April 19, 2019 appointed the Remuneration Committee and the Internal Control and Risk Committee. The Control and Risks Committee also continue to act as the Related Party Transactions Committee, in continuity with the motion of October 28, 2016.

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

7. APPOINTMENTS COMMITTEE

The Board of Directors on a number of occasions assessed the possibility of setting up an internal remuneration committee, also in view of the focus on the matter in the letter of December 2017 of the Chairperson of the Corporate Governance Committee. 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 19, 2019, 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.

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.

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 the Board of Directors, 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 the Board of Directors, Executive Directors and Senior Executives, 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.

In 2019 the Committee met on two occasions to review the draft of the Remuneration Report to be presented to the Shareholders' Meeting and to draw up remuneration proposals for the Chairperson of the Board of Directors, the BasicNet Directors, the members of the Committees and the Group Strategic Executives. 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 4, 2020, the Board approved the BasicNet S.p.A. Remuneration Report available on the company website, together with the Shareholders' Meeting documentation, at www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp.

On October 31, 2019, Consob began the consultations to modify the Issuers' Regulation in order to implement the directive EC 828/2017 on shareholder rights, which amended Article 123-ter of the CFA with Legislative Decree No. 49/2019. Since as of the date of this report Consob has not approved the regulatory amendments referred to in the consultation document, the remuneration report for 2019 has been prepared in line with the new Article 123-ter of the CFA, as amended by Legislative Decree no. 49/2019, and again on the basis of the regulatory provisions contained in the Issuers' Regulation in force at the time (prior to the amendments proposed in the consultation).

The Remuneration Policy adopted requires the Shareholders' Meeting to approve the annual remuneration of all Board of Directors and Statutory Auditors members; the remuneration of the Directors holding specific offices, the members of the Internal Committees of the Board and the Strategic Executives is determined by the Board of Directors, pursuant to Article 2389 of the Civil Code, on the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors. Finally, it is established that the Related Parties Committee should act in cases where the assignment of remuneration is not in line with the remuneration policy most recently approved by the shareholders, in particular in the case in which the Board of Directors intends to grant extraordinary bonuses to the Board of Directors or the Senior Executives.

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.

In addition to the Executive Directors of BasicNet, Ms. Elisabetta Rolando was identified as a Senior Executive. She is the Chairperson of the strategic subsidiary BasicItalia, in addition to the Chief Executive Officer of BasicAir Srl and the Sole Director of the newly acquired Aprica S.r.l. At the meeting of February 14, 2020, on the proposal of the Remuneration Committee the Board of Directors appointed Mr. Davide Piccolo as the Group Senior Executive in consideration of his appointment as an additional general manager of the Kappa Europe Group.

The Board establishes in addition the remuneration of the members of the Committees, of the Supervisory Board, of the Internal Auditor and of the Executive in charge in the preparation of

corporate accounting documents; for these latter two positions, no incentive mechanisms are provided for.

No stock option plans have been established for Directors.

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

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

10. CONTROL AND RISKS COMMITTEE

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

The Control and Risks Committee was appointed at the Board meeting of April 19, 2019. The Committee is composed of four Independent Directors: Renate Hendlmeier – Chairperson, Elisa Corghi, Cristiano Fiorio, appointed at the Board of Directors meeting of July 25, 2019, 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 main 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 Chairperson of the Board of Statutory Auditors;
- reports to the Board, at least every six months, on the approval of the annual and half-yearly accounts, on the work carried out and the adequacy of the internal control and risk management 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 three occasions in 2019, carrying out the following activities:

- examined the update to the Document for the identification and assessment of risk
- examined the update of the company procedures;
- met the control functions and boards, examined the Internal Audit and Supervisory Board reports and verified the absence of substantial findings from the checks carried out.
- met with the independent audit firm, examined the results of the audit and the correct utilisation 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

- examined the recommendations contained in the letters of December 2018 and December 2019 of the Chairperson of the Corporate Governance Committee and assessed a number of corporate governance matters, subsequently submitted for the approval of the Board of Directors
- examined 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 organisational simplification projects to concentrate the Group brands at the company BasicTrademark S.r.l. and property ownership at BasicVillage S.p.A.;
- monitored the integration of the Kappa Europe S.A.S. Group and agreed on the incorporation of BasicAir S.r.l. dedicated to managing the new company asset
- monitored compliance of the related parties' procedures and with the framework contracts which govern related party transactions.

The meetings - minuted and of an average duration of around two and a half hours - were attended by 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, the Director in charge of the internal control and risk management system, Paola Bruschi, the Internal Auditing Manager, Mario Sillano, and the members of the Supervisory Body and the company appointed to audit the Group. All 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 and Studio Boidi & Partners.

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 in order to update and review some processes regarding the Integrated controls system, also in support of Internal Audit activities, which were completed in the year.

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

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

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

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

The Group is in addition cognisant 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 4, 2020 considered that the system is substantially appropriate to oversee the typical business risks associated with the main operating activities.

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

1) Introduction

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

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

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

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

The System provides for:

- a set of rules and procedures for the preparation of financial statements and monthly reporting and a financial calendar for an efficient exchange of information between the Parent Company and its subsidiaries;
- an identification and assessment process of the major Group companies and of the principal company processes for the preparation of the income statement and balance sheet, through qualitative and quantitative analysis;

- a process of identification and evaluation of the principal risks of errors of the accounting and financial information, based on a control process, implemented on a company web platform with levels of protected access, which flags any errors;
- a process of periodic evaluation of the adequacy and effective application of controls, this latter monitored directly by the Executive responsible for financial reporting. The risk and internal control management system relating to financial reporting is coordinated and managed by the Executive Officer for Financial Reporting, in concert with the Internal Audit department, for the verification of control system operations.

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

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

The Executive Director Paola Bruschi was appointed at the meeting of April 28, 2016 to oversee the Control and Risks Committee, and her new mandate was confirmed on April 19, 2019.

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

11.2 INTERNAL AUDIT DEPARTMENT MANAGER

The responsibility to verify the overall adequacy, efficiency and effectiveness of the internal control and risk management System was assigned to the Internal Auditing department. In particular, considering that some departments are centralised at the Parent Company, this department contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as to the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments. On appointment, the Board also determined the remuneration for this office, considered in line with the structure of the Group.

The Internal 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 analysed 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 organisational processes adopted by the company for the physical, logistical and organisational 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 “Organisation 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 organisation and control model these were published on the company’s website www.basicnet.com/contenuti/corporate/codiceetico.asp and 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 19, 2019 appointed the members of the Supervisory Board. The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates. The Supervisory Board reports on at least a half-yearly basis to the Control and Risks Committee and to the Board of Statutory Auditors. In 2019, the Supervisory Board met three times.

Ethics Code

The Ethics Code is presented on a video to all new employees of the Group and to all consultants.

In 2019, 79 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 233 participants, of which 2 executives, 228 white-collar and 3 blue-collar employees.

The BasicNet Group Ethics Code was 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 organisational 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 organisation and management model as per Leg. Decree 231/2001, these were published on the company's website www.basicnet.com/contenuti/corporate/codiceetico.asp in the area dedicated to Group employee time-keeping.

Sourcing Centers Ethics Code

Sourcing Centers Ethics Code 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 Ethics Code. Accordingly, Sourcing Centers are always liable for full compliance with the Ethics Code 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 labour standards – including the fundamental conventions of the International Labour Organization and the Universal Declaration of Human Rights – were taken as an inspiration and foundation, and many of the guidelines included in the Ethics Code 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 Ethics Code. The principles cited in the Sourcing Centers Ethics Code include:

- a ban on the use by Sourcing Centers of child labour under the age of 15 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 general labour conditions;
- a ban on the use by Sourcing Centers of involuntary labour, 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 labour 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 Sourcing Centers Ethics Code 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 Ethics Code, 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 Ethics Code. 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 Ethics Code. During such inspections, BasicNet and its representatives may examine books and registers relating to employees and conduct private interviews of the Sourcing Centers 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 Ethics Code, 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 (".com") 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 favour 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 subsidised 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-corruption policies and procedures – came to 105 hours of training in 2019, involving 219 participants, of which 1 executive and 216 white-collar workers and 2 blue-collar workers, all based in Italy.

Participants in training on anti-corruption policies	2019	2018
Executives (No.)	1	1
% of total Executives*	3%	3%
White-collar (No.)	216	154
% of total White-collar*	38%	27%
Blue-collar (No.)	2	-
% of total Blue-collar*	7%	-
Total (No.)	219	155
% total Group*	35%	24.6%

**Percentages are calculated on the average workforce in Italy in 2019.*

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

At the meeting of April 19, 2019, the Board of Directors nominated the members of the Supervisory Board in the persons of Messrs. Roberto Cota – Chairperson, Giuliana Baronio, and Paolo Cafasso. The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates.

11.4 INDEPENDENT AUDIT FIRM

The audit is carried out by an independent audit firm registered in the relevant registrar. The Shareholders' Meeting of April 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 appointments, 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 19, 2019 confirmed Director Paola Bruschi, Group Finance Director, as the Executive Officer for Financial Reporting for three years, with the favourable opinion of the Board of Statutory Auditors. Paola Bruschi possesses 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 her duties Paola Bruschi 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; she may develop an adequate organisational structure to undertake her activities, utilising internal resources available and, where necessary, outsourcing; she may also, where necessary, utilise the financial resources of the company, providing adequate information to the Board of Directors, and she may utilise the Internal Auditing department for the mapping and analysis of processes and to carry out specific checks.

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

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

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

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

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

- the General Principles - Article 2 "scope" and Article 4 of the Procedures - "Approval of transactions with related parties", to which paragraph 4.2.1. was added, which establishes procedures for the approval of significant transactions where the company exceeds the limit for minor transactions.
BasicNet is identified, for the purposes of the Consob Regulation incorporating related party transaction provisions, as a "smaller company" (companies presenting both assets written to the balance sheet and revenues as per the last approved consolidated financial statements not in excess of Euro 500 million) and, therefore, utilises a simplified system for the approval of significant transactions whereby the rules for the approval of less significant transactions are applied;
- amendments to Article 3 introduction - "Related Party Transactions Committee".
In relation to the presence of two or more Independent Directors on the Board, Article 3 was redrawn, providing for the setting up of a Related Parties Transactions Committee comprising three independent and non-executive Directors. This function was assigned to the Control and Risks Committee.

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

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

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

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

At the meeting of November 2019 for the three-year review of the procedure, considering that since the latest amendment to the procedure in November 2016 there have been no significant changes to the ownership structure and that in practice the procedure has been complied with, as also communicated to the Related Parties Committee at the meeting of November 5, the BasicNet S.p.A. Board of Directors confirmed the procedure which is available on the company website at: www.basicnet.com/contenuti/corporate/particorrelate.asp.

13 APPOINTMENT OF STATUTORY AUDITORS

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

<http://www.basicnet.com><http://www.basicnet.com/contenuti/gruppo/statuto.asp>

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

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

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

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

Each shareholder, in addition to shareholders belonging to the same group, in accordance with Article 2359 of the Civil Code and the parties belonging to, including 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, even 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:

- the research, developments, 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;
- 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 Chairperson 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 Chairperson 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 Auditors 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 2021 Annual Accounts, therefore comprises:

Name	Office held on the Board	Slate M/m (*)	No. Appointments (**)
Maria Francesca Talamonti	Chairperson	m	4
Sergio Duca	Statutory Auditor	M	-
Alberto Pession	Statutory Auditor	M	-
Giulia De Martino	Alternate Auditor	m	3
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 in Italian companies held by the person in question, as per Article 148-bis of the CFA and the relative enacting provisions of the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144-*quinquiesdecies* of the Consob Issuers' Regulations.

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

Diversity criteria and policies

Reference should be made to paragraph 4.1 concerning the Board of Directors.

The Board of Statutory Auditors met immediately after the Shareholders' Meeting appointment of April 19, 2019 and, according to the Consob Issuers' Regulation and the Self-Governance Code, verified for all of its members compliance with the independence requirements established by Law (Article 148, paragraph 3 of the CFA) and by the Self-Governance Code (Articles 3.C.1 and 8.C.1) for the statutory auditors of companies with listed shares, also confirming the inexistence of reasons for the ineligibility, incompatibility and/or lapse as per the applicable regulation, the company By-Laws and the Self-Governance Code.

For the purposes of the audit, the Board of Statutory Auditors decided to refer to: (i) the list of existing administration and control positions, previously communicated to the Company pursuant to Article 2400 of the Civil Code, together with exhaustive information on their personal and professional characteristics, and (ii) declarations of acceptance of the candidature and possession of the requirements provided by the By-Laws and the statutory law issued pursuant to Article 144-*sexies*, paragraph 4, of the Issuers' Regulations.

The Board of Statutory Auditors immediately informed the Company of the outcome of these checks, which was communicated to the market through a press release issued upon conclusion of the Shareholders' Meeting in which the Board was appointed.

The Board of Statutory Auditors also carried out an assessment to verify the suitability of its members and the adequate composition of the Control Board, with reference to the requirements of professional standing, competence, good-standing and independence as per the regulation, set out in the "Conduct Rules for Boards of Statutory Auditors of Listed Companies" issued by the National Council of Certified Public Accountants.

On conclusion of the self-assessment process, the Board of Statutory Auditors found its composition to be adequate, underlined the correctness and efficacy of its functioning, and informed the Board of Directors of the company of the positive outcome of the self-assessment.

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.

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' Meeting 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 Chairperson and Chief Executive Officer actively engage in dialogue with shareholders and the financial analysts following the company.

Dialogue with investors has been encouraged since listing, through continuous updates to the website www.basicnet.com on which financial information of interest to Shareholders in general (Annual Reports and periodic reports, press releases and notices, presentations) can be found, as can 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. 2019 saw the continuation of communication with analysts and investors which began in 2018 with the establishment of a conference call to present the Company's periodic results, and meetings with individual investors continued and were extended to include a number of Italian and overseas operators.

16. SHAREHOLDERS' 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:

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

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

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

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

The Shareholders' Meeting regulations are available on the Company website www.basicnet.com/contenuti/gruppo/regolamento.asp.

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

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

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

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

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

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

18. CHANGES SUBSEQUENT TO THE YEAR-END

No changes occurred.

19. CONSIDERATIONS ON THE LETTER OF DECEMBER 19, 2019 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

In December 2019, the letter of the Chairperson of the Corporate Governance Committee was forwarded, as required by that document, to the Chairperson, to the Chief Executive Officer and to the Chairperson of the BasicNet Board of Statutory Auditors.

Subsequently, this documentation was communicated for the attention of the Remuneration Committee of February 11, 2020, and the Board of Directors and Board of Statutory Auditors at the meeting of February 14.

With regards to the Committee's recommendations, the Board decided the following:

as regards the first recommendation, the issue of integrating the sustainability of business activity into the definition of strategies and remuneration policy is widely developed in the body of the Non-Financial Declaration (NFD), to which reference is made. In short: the Group's resources are identified as stakeholders in the definition of the BasicNet group's materiality matrix, in view of the critical role of sustainability. The issues of materiality, identified in the NFD, concern the management and development of human resources, diversity and equal opportunities, worker welfare, employee health and safety, and human rights.

The management of these aspects is relevant as they represent the factors that can affect sustainability and long-term value generation. The management of the Group's resources, paying attention to these aspects, is entrusted to the personnel administration managed through the BasicGuys web service which:

- plans and guarantees the adequacy of the Human Resources employed, both in quantitative and qualitative terms, managing the recruitment processes in a traceable and transparent way through the BasicGuys application;
- manages relations with staff from the moment they are hired, with training which supports inclusion and guarantees their professional growth through the BasicEducation platform (performance assessments are carried out and positions reviewed every two years), to the conclusion of employment, overseeing the correct application of the labour, pension and tax laws.
- encourages management of working relationships based on ensuring diversity and equal opportunity, in the conviction that this is a source of growth for the Group
- values the well-being of staff with programmes which balance work with family and personal commitments
- incorporates into the Ethics Code the Group conduct principles regarding Occupational Health and Safety and develops through the "Risk Assessment Document" the awareness of risks, protecting the health and safety of workers, whose aspects are managed by the "BasicFacility" web service.

- plans, schedules and monitors labour costs and ensures accurate and timely payment of wages and salaries and of the applicable contributions and taxes;
- handles relationships with trade union officials, business associations and social security agencies;
- applies suitable policies, procedures and internal rules that are announced and updated whenever needed, to ensure the orderly conduct of company business in compliance with operational standards and company directives.

With regards to the second recommendation concerning the management of flows of information with the Board of Directors, as indicated in paragraph 4.3 - Role of the Board of Directors, since the end of 2018 a dedicated section of the company's website has covered flows of information to the Board of Directors and the Board of Statutory Auditors. In general, the members of the Board of Directors welcome the new procedure which has improved disclosure.

With regards to the third recommendation which requires a stricter application of the independence criteria set out by the Code for Independent Directors and the control boards and oversight of the correct application of this criteria, reference should be made to the assessment made at paragraph 4.6 - Independent Directors, as regards the independence of the Director Adriano Marconetto.

Finally, with regards to the fourth point, in terms of the adequacy of the remuneration paid to the non-executive directors and the members of the control boards, the Remuneration Committee and the Board of Directors also assessed the average remuneration of the non-executive directors and the control boards of small caps by Assonime (Report on Corporate Governance practices in Italy: An assessment of the Italian CG Code implementation - 2018), considering remuneration to be substantially appropriate in view of the commitments required by the respective appointments.

On behalf of the Board of Directors

The Chairman

Marco Daniele Boglione

20. SUMMARY TABLES

Table 1: Board of Directors at December 31, 2019

Name	Office	Slate	Exec.	Non exec	Ind.	Ind. CFA	Attendance BoD
Marco Boglione	Chairman of the Board of Directors (with operating powers)	M	X				6/6
Daniela Ovazza	Vice Chairman of the Board of Directors (without powers)	M		X			6/6
Federico Trono	Chief Executive Officer	M	X				6/6
Alessandro Boglione	Director	M	X				6/6
Lorenzo Boglione	Director	M	X				6/6
Veerle Bouckaert	Director	M	X				6/6
Paola Bruschi	Director	M	X				6/6
Elisa Corgi	Independent director	m		X	X	X	6/6
Cristiano Fiorio	Independent director	M			X		3/3
Francesco Genovese	Director	M	X				3/3
Renate Hendlmeier	Independent director	M		X	X	X	6/6
Alessandro Jorio	Director	M	X				3/3
Adriano Marconetto	Independent director	M		X	X	X	6/6
Carlo Pavesio	Director	M		X			6/6

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 19, 2019 and will remain in office until the approval of the 2021 Annual Accounts.

Table 2: Composition of the Committees at December 31, 2019

Name	Office	Remuneration Committee	% holding Remuneration Committee	Control and Risks Committee	% holding Control and Risks Committee
Daniela Ovazza	Vice Chairman of the Board of Directors (without powers)	M	100		
Elisa Corgi	Independent director	M	100	M	100
Cristiano Fiorio	Independent director	M	n.a.	M	100
Renate Hendlmeier	Independent director	M	100	P	100
Adriano Marconetto	Independent director	M	100	M	100
Carlo Pavesio	Non-Executive Director	P	100		

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.

Table 3: Board of Statutory Auditors at December 31, 2019

Name	In office	Slate	Ind. as per Code	% Holding S.C.	Other offices
Maria Francesca Talamonti	Chairperson	m	Yes	100	4
Sergio Duca	Statutory Auditor	M	Yes	100	2
Alberto Pession	Statutory Auditor	M	Yes	100	-

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)

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

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

Other offices: Other Directorships or Auditorships held by a Statutory Auditor pursuant to Article 148-bis of Legislative Decree No. 58/1998 and the regulations included in Consob's Issuer Regulations. Full details of these additional offices are provided by Consob on their website pursuant to Article 144-quinquiesdecies of Consob's Issuer Regulations.