



# ***CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS***

***AT DECEMBER 31, 2020***

**DIRECTORS' REPORT**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES**

**BASICNET S.P.A. FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES**

## CONTENTS

Corporate boards of BasicNet S.p.A.	
Corporate boards of BasicNet S.p.A.....	3
The Group and its activities .....	7
2020 Significant events.....	11
Regional commercial performances.....	13
2020 Financial performance overview.....	14
<i>The Group</i> .....	14
<i>The parent company</i> .....	20
<i>Reconciliation between consolidated net profit and parent company net profit</i> .....	22
<i>The BasicNet share price</i> .....	22
Principal risks and uncertainties .....	23
Other information.....	27
<i>Human resources and the environment</i> .....	27
<i>Treasury shares</i> .....	27
<i>Stock option plans</i> .....	27
<i>Opt-out regimes</i> .....	27
<i>Shares held by Directors and Statutory Auditors</i> .....	27
<i>Transactions with holding companies, associates, other investments and related parties</i> .....	27
Research & development .....	28
Subsequent events to the year-end and outlook .....	30
Proposal to the Shareholders' AGM to approve the financial statements for the year.....	31
Proposal to the Shareholders' AGM for the allocation of the net profit for the year.....	31
Corporate governance and ownership structure report .....	33
<b>Consolidated non-financial report</b> .....	<b>64</b>
Methodology .....	64
2. Sustainability for BasicNet.....	66
3. Responsibility in the value chain.....	72
4. Social responsibility .....	77
5. Environmental responsibility.....	87
GRI content index .....	91
Independent Auditors' Report to consolidated non financial report.....	100
BasicNet Group consolidated income statement .....	104
Consolidated comprehensive income statement .....	105
BasicNet Group consolidated balance sheet.....	106
Consolidated cash flow statement of the BasicNet Group.....	107
Statement of changes in consolidated Shareholders' Equity .....	108
Consolidated net financial position.....	109
Changes in net financial position.....	110
Explanatory Notes.....	111
Annex 1 - Disclosure pursuant to article 149 <i>duodecies</i> of the Consob issuer's Regulation.....	163
Annex 2 - Companies included in the consolidation .....	164
Annex 3 - Declaration of the consolidated financial statements pursuant to article 154- <i>bis</i> paragraph 3 and 4-bis of Legislative Decree no. 58 of February 24, 1998 “financial intermediation act” .....	166
Independent Auditors' Report to consolidated annual report and accounts as of December 31, 2020.....	167
BasicNet S.p.A. - Income statement .....	174
BasicNet S.p.A. - Comprehensive income statement .....	175
BasicNet S.p.A. - Balance sheet .....	176
BasicNet S.p.A. - Cash flow statement.....	177
BasicNet S.p.A. - Statement of changes in shareholders' equity .....	178
BasicNet S.p.A. - Net financial position.....	179
BasicNet S.p.A. - Statement of changes in net financial position .....	180

BasicNet S.p.A. - 2020 income statement prepared as per Consob Resolution no. 15519 of July 27, 2006.....	181
BasicNet S.p.A. - Balance sheet as at December 31, 2020 prepared as per Consob Resolution no. 15519 of July 27, 2006.....	182
BasicNet S.p.A. - Cash flow statement as at December 31, 2020 prepared as per Consob Resolution no. 15519 of July 27, 2006 .....	183
Explanatory Notes.....	185
Proposal to the Shareholders' AGM to approve the financial statements for the year.....	227
Proposal to the Shareholders' AGM for the allocation of the net profit for the year.....	227
Annex 1 - Disclosure pursuant to article 149 <i>duodecies</i> of the Consob issuer's Regulation.....	228
Annex 2 - Investments at December 31, 2020 .....	229
Annex 3 - Declaration of the financial statements pursuant to article 154- <i>bis</i> paragraph 3 and 4-bis of legislative Decree no. 58 of February 24, 1998 "financial intermediation act"..	233
Independent Auditors' Report to statutory annual report and accounts as of December 31, 2020.....	234

## CORPORATE BOARDS of BasicNet S.p.A.

### BOARD OF DIRECTORS

Marco Daniele Boglione	<b>Chairman</b>
Daniela Ovazza	<b>Vice Chairperson</b>
Federico Trono	<b>Chief Executive Officer</b>
Alessandro Boglione	<b>Directors</b>
Lorenzo Boglione	
Veerle Bouckaert	
Paola Bruschi	
Elisa Corgi <sup>(1)</sup>	
Cristiano Fiorio <sup>(1)</sup>	
Francesco Genovese	
Alessandro Jorio	
Renate Hendlmeier <sup>(1)</sup>	
Adriano Marconetto <sup>(1) (2)</sup>	
Carlo Pavesio	

(1) Independent Directors

(2) Lead Independent Director

### REMUNERATION COMMITTEE

Carlo Pavesio	<b>Chairman</b>
Elisa Corgi	
Renate Hendlmeier	
Adriano Marconetto	
Daniela Ovazza	

### CONTROL AND RISKS AND RELATED PARTIES COMMITTEE

Renate Hendlmeier	<b>Chairperson</b>
Elisa Corgi	
Cristiano Fiorio	
Adriano Marconetto	

### BOARD OF STATUTORY AUDITORS

Maria Francesca Talamonti	<b>Chairperson</b>
Sergio Duca	<b>Statutory Auditors</b>
Alberto Pession	
Giulia De Martino	<b>Alternate Auditors</b>
Maurizio Ferrero	

### INDEPENDENT AUDIT FIRM

**EY S.p.A.**

*"We bring together a large number of entrepreneurs across the world for a common goal. We manage all the critical data along the supply chain. We earn service commissions for approx. one-third of the added value generated by the entire process, capitalising all the enhanced value of the trademarks from the development of sales. We achieve this through continually sourcing state-of-the-art software technologies and peerless internet integration to manage all the processes of our business".*

Marco Boglione, 1999

Dear Shareholders,

The 2020 financial statements were fundamentally affected at an international level by the pandemic caused by the COVID-19 virus, whose intensity forced the Public Authorities of nearly all countries to take extraordinary measures to protect public health, imposing social distancing measures and with the consequent interruption of all non-essential social and economic activities. Therefore, at differing levels and timeframes across the various countries - beginning with China from January 2020 - the international economy was frozen, with a slight recovery only from May.

Against this backdrop, a comparison of the operating and financial results for the period with those of the previous year - as summarised below - highlights the impacts of the pandemic:

Key Performance Indicators:

- aggregate sales of Group brand products by the global licensee network totalled Euro 814.0 million, down 20.6%, and were broken down as follows:

<i>(in Euro millions)</i>	<b>2020</b>	<b>2019</b>	<b>% Change</b>
Commercial licensee sales	601.9	742.9	(19.0%)
Productive licensee sales	212.1	282.4	(24.9%)
<b>Licensee aggregate sales</b>	<b>814.0</b>	<b>1,025.3</b>	<b>(20.6%)</b>

Commercial licensee sales saw a recovery in the second half of the year. Overall, Europe, which represents over 68% of sales, performed well, curbing the drop in sales to 14.5% annually, despite the closure of stores for approx. three months. Sales in the Americas were down 26.4%, while Asia and Oceania and the Middle East and Africa respectively declined 27.1% and 27.8%;

- consolidated revenues of Euro 259.7 million (Euro 305.7 million in 2019, -15.0%, reducing to -9.6% in the fourth quarter alone), as follows:
  - royalties from commercial and productive licensees: Euro 46 million (Euro 55.6 million in 2019, -17.2%);
  - direct sales: Euro 213.8 million (Euro 250.1 million in 2019, - 14.5%);
- EBITDA: Euro 19.8 million (Euro 42.5 million in 2019);
- EBIT: Euro 7.6 million (Euro 30.6 million in 2019); income taxes have a positive balance thanks to the Patent Box effect and the recognition of the tax benefit (with net impact of Euro 4.4 million), as per Article 110 of Legislative Decree No. 104/2020, permitting the partial re-alignment of the tax value of the Brands in portfolio to the increased amount recognised to the financial statements;
- net profit of Euro 8.6 million, (Euro 21.1 million in 2019); -59.2%;
- net financial position: limited increase in debt to Euro 82.2 million, from Euro 78.3 million in 2019. Major investments were rolled out in the year to support the growth of the Brands and the Group's consolidation: in January, the acquisition of BasicVillage in Milan was finalised for consideration of Euro 10.5 million, while in September the Kappa brand in Japan was reacquired for consideration of Euro 10.9 million and the acquisition of Kappa Europe was completed for consideration of Euro 1.9 million.

**PARENT COMPANY KEY FINANCIAL HIGHLIGHTS:**

- EBIT of Euro 3.9 million (Euro 12 million in 2019);
- income taxes have a positive balance thanks to the Patent Box effect and the recognition of the tax benefit (with net impact of Euro 1.4 million), as per Article 110 of Legislative Decree No. 104/2020, permitting the partial re-alignment of the tax value of the K-Way brand to the increased amount recognised to the financial statements;
- net profit of Euro 4.7 million (Euro 14.5 million in 2019);

In addition to the Corporate Governance and Ownership Structure Report, this document also presents the Consolidated Non-Financial Report as per Legislative Decree 254/2016. This document summarises the initiatives taken by the Group to operate its business ethically and responsibly, in order to engage all stakeholders in the objectives and results of the entire supply chain, also in social and environmental terms.

In relation to the “alternative performance indicators”, as defined by CESR/05-178b recommendation and Consob Communication DEM/6064293 of July 28, 2006, we provide below a definition of the indicators used in the present Directors' Report, as well as their reconciliation with the financial statement items:

- |  |  |
|--|--|
| ▪ <b>Commercial licensees or licensees:</b>        | independent business owners, granted licenses to distribute Group brand products in their respective regions.  |
| ▪ <b>Productive licensees or sourcing centers:</b> | third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.  |
| ▪ <b>Commercial licensee aggregate sales:</b>      | sales by commercial licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.   |
| ▪ <b>Productive licensee aggregate sales:</b>      | sales by productive licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.   |
| ▪ <b>Consolidated Revenues</b>                     | the sum of royalties, sourcing commissions and sales of the licensee company BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail Suisse S.A. and the companies of the Kappa Europe S.A.S. French Group, in addition to the parent company BasicNet S.p.A.. |
| ▪ <b>EBITDA:</b>                                   | “operating result” before “amortisation and depreciation”.   |
| ▪ <b>EBIT:</b>                                     | “operating result”.  |
| ▪ <b>Contribution margin on direct sales:</b>      | “gross profit”;  |
| ▪ <b>Debt/equity ratio</b>                         | this is an indicator of the financial structure of the balance sheet and is calculated as the ratio of financial debt to shareholders' equity.   |
| ▪ <b>Net debt:</b>                                 | total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.   |
| ▪ <b>Free cash flow</b>                            | represents the cash flow available to the company and is the difference between the cash flow from operating activities and the cash flow for investments in fixed assets.   |
| ▪ <b>Basic earnings per share</b>                  | calculated as required by IFRS on the basis of the weighted average number of shares in circulation in the year.   |

## THE GROUP AND ITS ACTIVITIES

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.

### STRENGTHS

The strengths of the Group are founded on the strategic priorities since its inception which encompass:

1. *Brand positioning*
2. *The Business System*
3. *Web Integration*

#### 1. Brand positioning

The Basic Group brands form part of the informal and casual clothing sector, which has experienced significant growth since the 1960's and continues to develop with the “liberalisation” of clothing trends.



is a practical sportswear brand, serving active and fast-paced individuals, who in their sporting activity require highly-functional clothing, while displaying a youthful, colourful and original look. The Kappa® collections include also footwear and accessories for sport, designed to ensure peak performance. The Kappa® brand sponsors major clubs globally across a wide range of sports, in addition to many national sporting federations, particularly in Italy.



is the brand for those who in their free-time and informal professional activity seek to wear modern, high-quality sportswear at accessible prices. The brand serves energetic, modern individuals, open to an ever-changing world.



is the leisure footwear and accessories brand, designed for those seeking comfort, while demanding a fashionable, colourful and stylish look and high quality. The Superga® collections serve the needs of a wide cross-section of customers, within every age category.



produces exceptional waterproof clothing: classic, modern, high-technological and functional content and in a wide range of colours. In addition to the original jackets with heat-sealing zips, storable in their pouch and produced with waterproof and wind-protecting warm and breathable materials, the collections include also fashion-oriented clothing and accessories which are identically practical and functional.





is the Italian brand of cutting edge technical sporting products, in particular for cycling, skiing and running: eyewear, helmets, masks, accessories, underwear and clothing for professionals and enthusiasts. Briko®'s mission is to use the explosive energy of the brand to create iconically designed products for athletes and sportspeople requiring performance and safety without compromises.



produces exceptional American footwear.

The brand, founded in Westbrook, Maine (USA) in 1946, takes its name from the nearby Sebago lake, which in the native American Abenaki language means “elongated water basin”.

The brand launched with the famous “penny loafer”, handmade in accordance with local tradition and over the years has continued with best sellers such as the Docksides® boat shoes.

On July 31, 2017, the brand became part of the BasicNet Group portfolio with a view to a medium-high bracket positioning, to be worn as a sporting yet classy style.

The Sebago® brand is now distributed across 90 markets worldwide.



is the jeans brand, created in 1971 by the youthful Maurizio Vitale and Oliviero Toscani.



is the high-end leisure, sport and formal occasion footwear brand, emerging from the racing and automobile world. The brand is positioned in the fashion segment. Since October 2011, the Basic Group has held 50% of the fashion categories (clothing and footwear) of the brand and is also a global licensee.

## 2. The Business System

The BasicNet Group has developed around a “network” business model, targeting licensees as the ideal partner for the development, distribution and sourcing of its products globally, choosing partners which act not only as a product supplier, but as an integrated supplier of services, i.e. a business development partner.

Innovative, flexible and modular, the Business System of BasicNet has enabled the Group to grow quickly, although maintaining a lean and agile structure: a large enterprise centered around many businesses connected among themselves and with the parent company on a fully web-based network integrated IT platform designed to maximise information flows through real time sharing.

The Business System was drawn up and structured to develop both internal lines (new licensees and new markets) and external lines (new brands developed or acquired and new business lines).

The functioning of the Business System is very simple. The Parent Company BasicNet S.p.A. controls the strategic activities:

- product research and development;
- global marketing;
- Information Technology, i.e. the creation of new software for the online management of all supply chain processes;
- co-ordination of production and commercial activity information flows on the licensees' Network;
- strategic finance.

Licensees, according to region or goods category, distribute products to retailers, carry out local marketing, regional logistics and working capital funding.

The licensees involved in BasicNet brand finished product management (sourcing centres) apply a similar model and distribute to commercial licensees in their respective areas.

As part of the Business System development, the Group has also established a direct customer sale system called plug@sell®, currently developed by the Italian licensee, in Switzerland, Spain, and soon in France. The model comprises a web-based integrated sales management system, with a platform which simply manages all daily activities at the store in real time, from orders to stock management, to accounting and training of staff (pre-opening and ongoing), through class-based and online training.

As part of the retail project of BasicRetail S.r.l., of BasicRetail Suisse S.A. and of the companies of the French Group Kappa Europe S.A.S. (companies belonging to BasicItalia S.p.A.), the various brands have been developed around the three principal retail levels, through which the Group sells directly to the public in Europe:

- Level I: Brands Stores located in city centres, high streets or shopping centres with specific franchising agreements;
- Level II: Brand Outlets located in Outlet Villages;
- Level III: Discount Stores located in “out-of-town” commercial or industrial parks.

The formats have been developed in order to ensure presence on a wide range of market segments.

### 3. Web Integration

The IT platform is one of the major strategic investments for the Group, with a high degree of focus in terms of staffing and centrality to Business System development.

This platform was designed and developed in a fully web integrated manner as the perfect communication tool between Network elements.

The Information Technology department is involved therefore in the design and rolling out of the data collation and transmission systems which link the BasicNet Network companies together and externally.

The business model therefore centres on “e-processes” i.e. “.com” divisions - each of which with a production input and exchanging or negotiating with the other divisions, exclusively through the online platform.

## **STRUCTURE OF THE GROUP**

The Basic Group comprises Italian and international operating companies within the following sectors:

- License management (Business System);
- Proprietary licensees;
- Property management.

The **Business System operating segment** includes the Parent Company BasicNet S.p.A., the trademark holders of the Group, Basic Trademark S.r.l., TOS S.r.l., and Fashion S.r.l., the services companies BasicNet Asia Ltd. in Hong Kong, and BasicNet Asia Company Limited (Vietnam), the sub-licensee company Basic Properties America, Inc. in the USA and BasicAir S.r.l.

In addition to the operations developed directly by BasicNet S.p.A., outlined above, the activities of the other companies concern the granting of the intellectual property rights of the BasicNet Group to licensees, administrating the contracts and managing the relative revenue streams.

The **proprietary licensees** are BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail SUISSE S.A. and the companies of the French Group Kappa Europe S.A.S..

BasicItalia S.p.A. acts as a licensee for the usage and development of the intellectual property rights and of the products of all BasicNet brands for Italy. The company is the licensee and incubator for the testing of Group development projects.

It holds a number of major sponsorship and merchandising contracts, some of which with international visibility, benefitting also the Group and the Network.

BasicRetail S.r.l. manages Group brand sales points within the franchising project in Italy. BasicRetail SUISSE S.A. manages the K-Way Outlet sales point at the Outlet Center in Mendrisio.

La Kappa Europe S.A.S, with registered office in Nantes, France, controls the Group companies based in France, the UK, Spain and Switzerland, who for some time have operated as Kappa and Robe di Kappa brand licensees in their respective territories. The Group, initially acquired for 61%, has been 100% held since September 2020.

**Property management** is carried out by Basic Village S.p.A.. The company owns the former Maglificio Calzificio Torinese production site. Restructured and preserved in 1998, the facilities house the BasicNet Group headquarters and numerous other Group and third party activities. At the end of 2016, it acquired the building adjacent to via Padova 78, leased to third parties.

In January 2020, BasicVillage S.p.A. completed the acquisition of the entire share capital of Aprica Costruzioni S.r.l., a company that owns an industrial building covering approx. 4,000 square metres in Milan, via dell'Aprica 12, close to the Scalo Farini, for a total value of Euro 10.5 million.

In February, restructuring works began on the building in Milan, which will substantially recreate the successful experience of Turin's BasicVillage as a strategic location for the sector globally.

During the year, a series of corporate transactions began to concentrate property ownership at BasicVillage. The transactions, completed in July, concern the merger by incorporation of Aprica Costruzioni S.r.l., in addition to the partial spin-off of BasicItalia's property ownership business unit to BasicVillage.

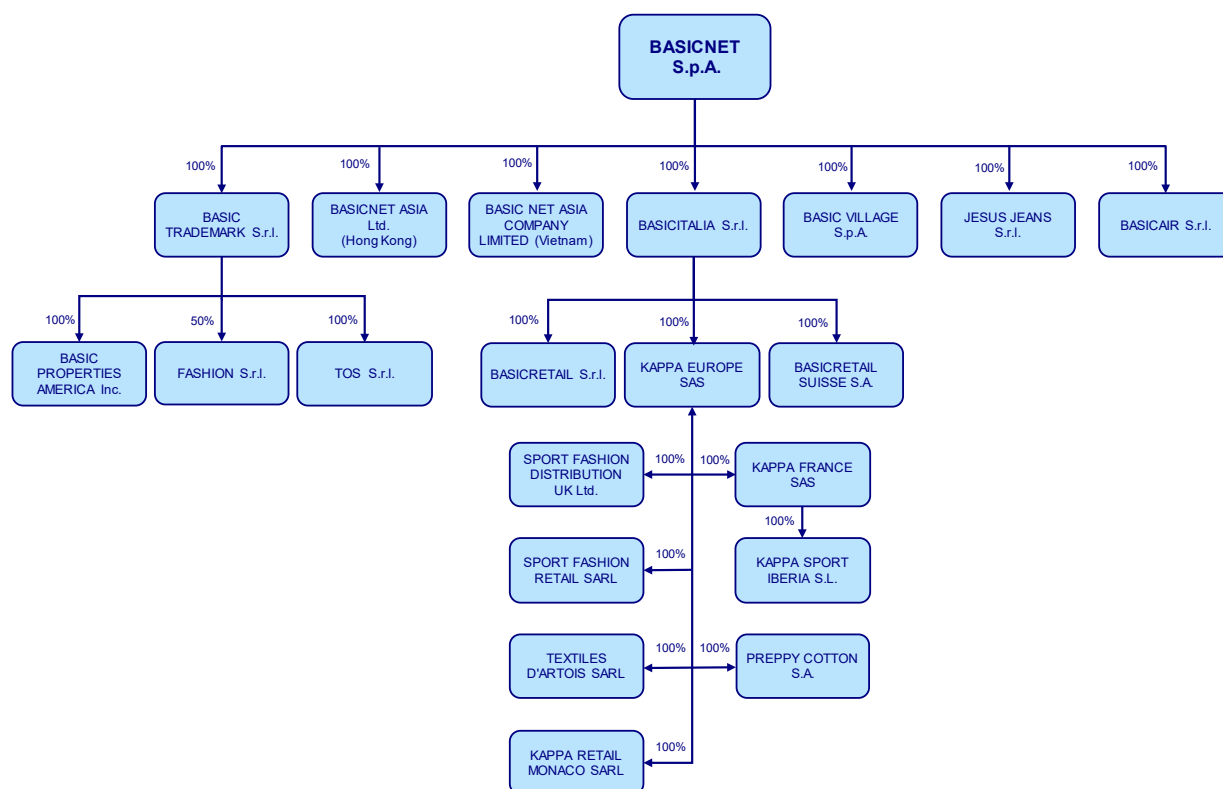
## BUSINESS TARGETS

The Group objective is to extend its global leadership position through the strength of its brands.

The Group project centres on:

- the consolidation and expansion of the brands in areas with a pre-existing presence, supporting the growth of licensees through the Business System;
- extending the territorial coverage of the brands, through finding new qualified licensees - particularly for more recently acquired brands;
- the development of the plug@sell® shops, allowing licensees to improve market presence and to efficiently target end-consumers;
- the search for fresh investment and development opportunities on new markets.

The BasicNet Group structure at December 31, 2020 is presented below:



## 2020 SIGNIFICANT EVENTS

### Covid-19 Health Crisis

As noted, since January 2020, the domestic and international picture has been dominated by the gradual spread of Covid-19 and the resulting restrictive containment measures implemented by the governments of the countries affected.

As highlighted above, the absence of a specific cure to the virus has made it necessary to close down production and commercial activities across many countries, also forcing the respective governments to take extraordinary measures to protect their economies and support the income of residents. The lockdown lasted from 2 to 3 months on average. It began in Italy on March 9, and lasted around 10 weeks. From the month of November until January 6, due to the fear of the second wave of the epidemic, in many countries very restrictive measures were again adopted, especially regarding commercial activities.

Against this backdrop, in February BasicNet swiftly established a “Crisis unit” in February to handle the COVID-19 emergency, through which measures to protect the health and safety of employees and operational continuity were introduced. A remote working programme was therefore introduced for all Group employees, making all the specific tools needed to carry out their respective duties available at home. At the same time, a workplace safety protocol was agreed with the Trade Union representatives with a view to the workforce’s gradual return. All possible strategies to protect the economic and financial sustainability of the Group were also adopted, also through working with the banks to put in place the funding necessary to meet any cash requirement.

All these measures were subject to ongoing updates and periodic disclosure to the Board of Directors, to the Board of Statutory Auditors, to the Control Committee and to the Supervisory Board.

### **“Back to the future” Project**

During 2020, the BasicNet Group concluded a corporate reorganisation project called "Back to the future", with the goal of concentrating in the company BasicTrademark the ownership of all the Group's brands, according to the original structure, which dates back to the acquisition of the Kappa®, and Robe di Kappa® brands and other minor brands from the MCT bankruptcy. Over time, a number of brands have been acquired directly by BasicNet (K-Way® and Briko®) and special purpose vehicles have been set up for the acquisition of the new brands, specifically Superga® and Sebago®.

As a result of the extraordinary transactions carried out, BasicProperties S.r.l. and SupergaTrademark S.r.l. were incorporated into BasicTrademark S.r.l., while the Briko® and Jesus®Jeans brands have been transferred, in addition to the investments in Tos S.r.l. (Sebago) and in Fashion S.r.l. (Sabelt).

The concentration of the proprietary brands at BasicTrademark allows for a restructuring to optimise the management and protection of the brands, without changing the ownership structure or the Group's capital structure.

### **BasicVillage**

In February, restructuring works began on the building on Via dell'Aprica No. 12, Milan, close to the Scalo Farini, which was purchased in 2019. This work will substantially recreate the successful experience of Turin's BasicVillage as a strategic location for the sector globally.

At the end of July, a series of extraordinary transactions designed to concentrate the real estate properties owned by BasicVillage itself were concluded. The transactions relate to the merger by incorporation of Aprica Costruzioni S.r.l. and the partial spin-off of BasicItalia's property ownership business unit to BasicVillage.

### **BasicNet Asia Vietnam**

The BasicNet Asia office was opened in Vietnam, supporting the company of the same name - based in Hong Kong - in all development and management activities of the production and distribution licensees in the South-East Asia area.

### **Acquisition of the entire share capital of Kappa Europe S.A.S.**

In early September, BasicItalia S.p.A., Group Brand licensee for Italy, purchased the remaining 39% of Kappa Europe, the holding company of a group of Kappa® brand licensee companies for France, the UK, Switzerland, Spain and Portugal, increasing its holding from 61% to 100% of the subsidiary. The payment, which amounted to approximately Euro 1.9 million, was partially settled by the transfer to the sellers of 200,000 BasicNet S.p.A. treasury shares.

The early completion of the transaction has the strategic objective of accelerating the integration into the Group of the French subsidiary, so as to consolidate the presence of the Kappa Brand in its largest market, that of Europe.

### **Kappa® brand in Japan.**

Also in September, the strategic project for the global sale of the Kappa® brand was consolidated with the repurchase of the rights, by the subsidiary BasicTrademark S.r.l., of the Kappa® brand in Japan.

## REGIONAL COMMERCIAL PERFORMANCES

2020 began with significant commercial growth in January and February. This was then impacted, in almost every country and for almost every brand, by the slowdown following the introduction of measures to contain the Covid-19 virus. Commercial operations focused on the renewal of expiring licensing contracts.

As regards sponsorship initiatives on the **European market**, the new contracts signed by the German licensee with the FSV Mainz 05 football team, by Kappa France (Kappa Europe Group) with Metz Football Club, and with the Italian team ACF Fiorentina are particularly significant for the Kappa® Brand. In February, the sponsorship contract with SSC Napoli was extended, and will end in June 2022. Kappa UK (Kappa Europe Group) signed a sponsorship agreement with the Rugby World Cup, while Kappa Sport Iberia (Kappa Europe Group) is the new sponsor of Mad Lions, one of the world's leading e-sport organisations.

Italian actor Luca Argentero was the new Robe di Kappa® Digital Ambassador for 2020, while singer Mahmood, rappers Emis Killa, Chadia Rodriguez and Hell Raton were featured in the Kappa® social campaigns launched in 2020.

A new digital collaboration with Chiara Ferragni marked Superga's Instagram celebration of the end of the first lockdown.

In sailing, the Sebago® brand sponsored Italian skipper Alberto Bona in the Solo Maître CoQ.

On the ski slopes, Briko® presented its collection of snow helmets designed in collaboration with US champion Lindsey Vonn, who will once again be Briko® spokesperson for the 2020-2021 season, and sponsorship of the Bardiani CSF Faizanè Giro D'Italia team continued in 2020.

With regards to co-branding:

- Superga® launched its first collaboration with London fashion designer Mira Mikati, with the Calzedonia brand, the German brand "distorted people", and the London-Greek designer Mary Katrantzou; Of particular note is the presentation of the first "Organic" collection made with natural materials;
- Sebago® began co-branding with Baracuta, Italian jeans brand Roy Rogers, One Block Down and American brand Pendleton. Madrid concept store Mini created two special reinterpretations of both the classic Sebago® moccasin, as part of the Sebago® Yacht Club project, and the iconic 2750 Superga®. Co-brandings with Parisian store The Next Door and Italian footwear brand In the Box were presented. Finally, the exclusive capsule collections of the Sebago® Yacht Club project continued;
- Robe di Kappa® presented the first lifestyle collection for the AS Monaco football team;
- K-Way® launched its first co-branding with the Flapper brand on social media. In October, the co-branding with the Sézane brand and the first capsule collection with the Côte&Ciel brand were presented in Paris. Finally, the first co-branding with the Fendi brand was launched. K-Way® had begun 2020 celebrating 15 years since its acquisition by BasicNet with its first public show, held at the Pitti Uomo exhibition on January 8, 2020 at the ex-Stock Exchange building;
- Kappa® presented its first co-branding with the underwear brand Tezenis.

As regards communication and sponsorship on the **Americas market**, the Kappa® brand agreed a new sponsorship with CR Vasco da Gama that was launched by the Brazilian licensee.

With regards to co-branding:

- for Sebago® there were agreements with the Gitman Bros. brand, two co-branding partnerships with Universal Works (in March and November) and a first collaboration with Todd Snyder;
- Superga® extended its collaboration with the LoveShackFancy brand;
- K-Way® launched a new collaboration with The Marc Jacobs;
- Kappa® unveiled its first capsule collection with the Juicy Couture and Shadow Hill brands.

As regards communications, co-branding initiatives were also launched for the **Asian market**: Superga Singapore created three capsule collections with influencer Drea Chong, and two collaborations with brands The Paper Bunny and Leia Lauren, while Superga Australia signed a co-branding with Aje.

Kappa Japan also used social media to present its first collaboration with One Piece, a long-running Japanese manga created by graphic novel artist Eiichirō Oda. Finally, K-Way® and Hong Kong brand Clotte launched their first collection together, also via social media.

### Group brand sales points

At December 31, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally numbered 979 (of which 110 in Italy), with Superga® mono-brand stores and shop-in-shops totalled 250 (of which 57 in Italy), and there were 68 K-Way® sales points (of which 29 in Italy) and 54 Sebago® sales points (of which 2 in Italy, in Porto Cervo and Turin). Plug@Sell® online sales grew by 75.3% compared to the previous year.

As regards initiatives to support its connected store network during COVID-19, in mid-March, BasicNet launched the "L'Economia locale non si ferma, continua online" (The local economy doesn't stop, it goes online) campaign, in support of the Italian Plug@Sell stores® closed as a result of the health emergency.

## 2020 FINANCIAL PERFORMANCE OVERVIEW

### THE GROUP

#### BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

<i>(Euro thousands)</i>	<b>FY 2020</b>	<b>FY 2019</b>	<b>Changes</b>	<b>%</b>
Group Brand Aggregate Sales by the Network of commercial and productive licensees *	814,051	1,025,292	(211,241)	(20.6%)
Royalties and sourcing commissions	45,975	55,551	(9,576)	(17.2%)
Consolidated direct sales	213,756	250,148	(36,392)	(14.5%)
EBITDA **	19,826	42,521	(22,695)	(53.4%)
EBIT **	7,551	30,557	(23,006)	(75.3%)
Group Net Profit	8,581	21,053	(12,472)	(59.2%)
Basic earnings per share**	0.1635	0.3919	(0.228)	(58.3%)

\* Data not audited

\*\* For the definition of the indicators reference should be made to paragraph 6 of the present Report

As well as reflecting the effects of the pandemic on sales performances across the markets in which the Group operates, the result for the period was also influenced by a series of extraordinary, non-recurring events linked to the Covid-19 emergency. These are summarised below:

- personnel costs benefitted from social security contributions totalling Euro 3.9 million across the various countries in which the Group operates;



- overheads include non-recurring charges of Euro 320 thousand, of which Euro 192 thousand relating to sanitising costs and the purchase of personal protective equipment, and for the remainder technical consultancy;
- sponsorship and media investments benefitted from contract and sponsorship renegotiations worth Euro 4.0 million;
- other income includes the reversal of payables for right-of-use assets following post-lockdown negotiations amounting to Euro 1.3 million, in application of the practical expedient;
- sundry income includes operating grants of Euro 0.5 million paid out to the Group's Italian companies, primarily in the form of tax credits;
- sundry income includes Euro 35 thousand granted in the form of a loan to BasicProperties America as part of the Paycheck Protection Program and subsequently converted into a non-refundable grant;
- income taxes include the net positive effect of Euro 4.4 million deriving from the release of deferred tax liabilities and the assessment of substitute taxes on the partial realignment of the tax value of trademarks in the portfolio, pursuant to Article 110 of Legislative Decree No. 104/2020;
- income taxes benefit for Euro 0.4 million from the cancellation of the 2019 IRAP balance and the 2020 IRAP advance payment in favour of the Italian companies of the Group that fall within the criteria set by Article 24 of Leg. Decree No. 34/2020.

These factors together contributed for a positive impact of Euro 9.4 million on EBITDA and of Euro 14.3 million on Group profit.

### **Commercial and financial analysis**

The breakdown of sales and production revenues generated through the global Group licensees at current exchange rates was as follows:

	FY 2020	FY 2019	Changes	
<i>(In Euro thousands)</i>				
<b>Aggregate Sales of the Group licensees *</b>	<b>Total</b>	<b>Total</b>	<b>Total</b>	<b>%</b>
Commercial Licensees	601,961	742,922	(140,961)	(19.0%)
Productive Licensees (sourcing centers)	212,090	282,370	(70,280)	(24.9%)
<b>Total</b>	<b>814,051</b>	<b>1,025,292</b>	<b>(211,241)</b>	<b>(20.6%)</b>

\* Data not audited

The regional breakdown of commercial licensee aggregate sales was as follows:

	FY 2020		FY 2019		Changes	
<i>(In Euro thousands)</i>						
<b>Aggregate Sales of the Group Commercial licensees *</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Europe	410,059	68.1%	479,750	64.6%	(68,691)	(14.5%)
The Americas	60,147	10.0%	81,688	11.0%	(21,541)	(26.4%)
Asia and Oceania	74,972	12.5	102,790	13.8%	(27,818)	(27.1%)
Middle East and Africa	56,783	9.4%	78,694	10.6%	(21,911)	(27.8%)
<b>Total</b>	<b>601,961</b>	<b>100.0%</b>	<b>742,922</b>	<b>100.0%</b>	<b>(140,961)</b>	<b>(19.0%)</b>

\* Data not audited



and of the productive licensees:

	FY 2020		FY 2019		Changes	
(In Euro thousands)						
<b>Aggregate Sales of the Group Productive licensees *</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Europe	17,392	8.2%	21,019	7.4%	(3,627)	(17.3%)
The Americas	14,710	6.9%	17,152	6.1%	(2,442)	(14.2%)
Asia and Oceania	177,289	83.6%	240,926	85.3%	(63,637)	(26.4%)
Middle East and Africa	2,699	1.3%	3,273	1.2%	(574)	(17.5%)
<b>Total</b>	<b>212,090</b>	<b>100.0%</b>	<b>282,370</b>	<b>100.0%</b>	<b>(70,280)</b>	<b>(24.9%)</b>

\* Data not audited

**Commercial licensee aggregate sales** of Euro 602 million were down 19% at current exchange rates, from Euro 742.9 million in the previous year; continental level growth is commented upon in the introductory paragraphs to this Report.

The **sales of the productive licensees** (Sourcing Centers) are only made to commercial licensees or entities within the “operated by BasicNet” scope. The production licenses issued to the Sourcing Centers, differing from those issued to the commercial licensees, do not have regional limitations, but are rather based on technical production and business competences. Product sales by the Sourcing Centers to commercial licensees are made in advance of those made by the latter to the end customer. Productive license sales are down 24.9%.

Overall **consolidated direct sales** were Euro 213.8 million (Euro 250.1 million in 2019).

The **contribution margin on sales** fell from Euro 107.2 million in 2019 (constituting 42.8% of revenues) to Euro 86.6 million in 2020 (40.5% of revenues).

**Other income** amounted to Euro 8.5 million in 2019 and included the income from the settlement agreement between BasicItalia with AS Roma and Soccer for Euro 1.5 million, and increased by more than Euro 1.9 million in the year due to the reversal to income of payables for rights-of-use resulting from the renegotiation of store rentals.

**Sponsorship and media** spend of Euro 38.3 million compares to Euro 42.2 million in the same period of the previous year. The decrease in the period is substantially attributable to the renegotiation of technical sponsorship contracts for the 2020/21 sports season.

**Personnel costs** decreased from Euro 32.2 million in 2019 to Euro 28.9 million in 2020. Through the Crisis Unit established on February 26, the Group swiftly implemented all the necessary measures to protect employee health and safety, and began the procedures set out in national regulations to provide access to various forms of social security and state contributions to reduce lockdown-related costs. Recourse to the Extraordinary Temporary Lay-off Scheme (CIGD) or similar wage supplementation schemes in the other countries where the Group operates enabled the reduction of personnel costs for the period by approximately Euro 3.9 million.

**Overhead costs**, i.e., *Selling and general and administrative costs and royalties' expenses*, increased by Euro 1.6 million, from Euro 52.5 million in 2019 to Euro 54.1 million in 2020, mainly due to higher doubtful debts provisions (Euro 5.3 million). The increase in these provisions includes a specific item regarding the early termination of a commercial license, the assignment of which to a new leading commercial partner is in advanced negotiations.

**EBITDA** stood at Euro 19.8 million (Euro 42.5 million in 2019).

**EBIT** was Euro 7.6 million after amortisation and depreciation of Euro 7.1 million and the depreciation of rights-of-use for Euro 5.2 million.

**Consolidated net financial charges/income**, including exchange gains and losses, reported a charge of Euro 1.7 million, compared to Euro 1.2 million in the previous year.

**Management of investments** includes Euro 959 thousand for the effect of adjusting the put/call on the purchase of the minority interests in Kappa Europe to the price paid.

The **consolidated pre-tax profit** was Euro 6.8 million, compared to Euro 29.4 million in 2019.

Net of current and positive deferred taxes provisioned for Euro 1.8 million, **net profit** was Euro 8.6 million, compared to Euro 21.1 million in 2019.

### Segment information

The Financial Highlights by Group segment were as follows:

- **“Licenses and brands”**: concerns the management of the commercial licensee network and the sourcing centers by BasicNet S.p.A. and the Group company license holders.  
Commercial development in the year enabled the Parent Company and the Brand owning companies to generate royalties and sourcing commissions of Euro 64.5 million, compared to Euro 77.3 million in the previous year. The 2020 EBIT of Euro 8.9 million compares with Euro 21.3 million in 2019. The segment net profit was Euro 9.4 million in 2020, compared to Euro 16.6 million in 2019.
- **“Proprietary Licensees”**: comprising BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail SUISSE S.A and the companies of the Kappa Europe Group. Segment sales totalled Euro 212.5 million, compared to prior year sales of Euro 248.2 million. The contribution margin on sales was Euro 86.6 million, compared to Euro 107.6 million in 2019. The revenue margin was 40.7% (43.3% in 2019). The segment reports a net loss of Euro 876 thousand, compared to a profit of Euro 4.2 million in 2019.
- **“Property”**: property management reported a profit of Euro 21 thousand (Euro 305 thousand in 2019).

The financial statements by segment are reported at Note 7 of the Notes to the consolidated financial statements.

**Balance sheet overview**

The changes in the balance sheet are reported below:

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Property	33,386	20,653	12,734
Brands	58,917	46,789	12,128
Non-current assets	35,050	31,306	3,744
Rights-of-use	22,082	18,066	4,016
Current assets	172,592	176,421	(3,829)
<b>Total assets</b>	<b>322,027</b>	<b>293,235</b>	<b>28,792</b>
Group shareholders' equity	119,277	121,741	(2,464)
Non-current liabilities	73,156	47,637	25,519
Current liabilities	129,594	123,857	5,737
<b>Total liabilities and shareholders' equity</b>	<b>322,027</b>	<b>293,235</b>	<b>28,792</b>

As regards changes in fixed assets, during the year, real estate activities increased (Euro 13.8 million) following the initial consolidation of Aprica Costruzioni S.r.l., owner of the property complex located at the Scalo Farini in Milan. Trademarks rose by Euro 12.1 million, including Euro 10.9 million due to the repurchase of the Japanese rights to the Kappa and Robe di Kappa brands in September. Investments were also made for the development of computer programs (Euro 2.4 million) and for the purchase of electronic machinery and furniture and fittings (Euro 2.1 million).

Group shareholders' equity decreased mainly due to the dividend approved by the Shareholders' AGM of June 26, 2020, which was paid on July 8.

**Financial position**

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Net financial position – Short-term	(14,678)	(36,209)	21,531
Financial payables – Medium-term	(43,709)	(19,288)	(24,421)
Finance leases	(678)	(651)	(27)
<b>Net financial position with banks</b>	<b>(59,065)</b>	<b>(56,148)</b>	<b>(2,917)</b>
Other financial liabilities	-	(2,839)	2,839
Payables for rights-of-use	(23,097)	(19,287)	(3,810)
<b>Total net financial position</b>	<b>(82,162)</b>	<b>(78,274)</b>	<b>(3,888)</b>
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.69	0.64	0.05

**Net debt** to the banking system increased from Euro 56.1 million at December 31, 2019 to Euro 59.1 million at December 31, 2020.

Major investments were rolled out in the year to support the growth of the Brands and the Group's consolidation: in January, the acquisition of BasicVillage in Milan was finalised for consideration of Euro 10.5 million, while in September the Kappa brand in Japan was reacquired for consideration of Euro 10.9 million and the acquisition of Kappa Europe was completed for consideration of Euro 1.9 million.

The interruption of commercial activity affected cash generation, which nevertheless remained positive.

In order to deal with the possible consequences of the health emergency, BasicNet took swift action, using the banking system to ensure the coverage of any cash requirements. This included suspending medium/long-term loan deadlines and of short-term credit lines for a total of Euro 2.8 million.

Against this backdrop, it should be noted that the companies BasicNet S.p.A., BasicTrademark S.r.l., BasicItalia S.p.A. and BasicRetail S.r.l. were admitted to the Guarantee Fund for SMEs, with a 90% guarantee, for the loan of Euro 5.5 million each disbursed by Banco BPM for BasicItalia S.p.A. and BasicRetail S.r.l. and by Intesa San Paolo for BasicNet S.p.A. and BasicTrademark S.r.l.

For BasicTrademark, the transaction to purchase the Japanese rights to the Kappa brand was financed by Banco BPM for Euro 6 million, in addition to the Euro 5.5 million guaranteed through the State Guarantee Fund.

Right-of-use payables rose approx. Euro 3.8 million compared to 2019, mainly due to new shop openings and the renewal of expired or maturing lease contracts.

Other financial liabilities in 2019 included the estimated amount to be paid to third party shareholders of Kappa Europe in exchange for exercising their share put option.

**THE PARENT COMPANY****BasicNet S.p.A. Key Financial Highlights**

The Parent Company condensed income statement for 2020 compared to the previous year is reported below:

<i>(Euro thousands)</i>	<b>FY 2020</b>	<b>FY 2019</b>	<b>Changes</b>	<b>%</b>
Royalties and sourcing commissions	31,215	37,974	(6,759)	(17.8%)
Direct sales and other income	11,499	11,089	410	3.7%
EBITDA *	8,122	15,992	(7,870)	(49.2%)
EBIT *	3,936	12,066	(8,130)	(67.4%)
Dividends from subsidiaries	1,098	4,800	(3,702)	(77.1%)
Net Profit	4,740	14,487	(9,747)	(67.3%)

\* For the definition of the indicators reference should be made to paragraph 6 of the present Report

The results of the separate financial statements of the Parent Company reflect the developments of the overall activity as described within the consolidated financial statements and with specific reference to the activities undertaken on the international markets.

**Royalties and sourcing commissions** of Euro 31.2 million fell 17.8% on 2019.

**Direct sales and other income** amounted to Euro 11.5 million (Euro 11.1 million in the previous year). Other income principally refers to payments for intercompany assistance services charged to the subsidiaries BasicItalia S.p.A., BasicRetail S.r.l., BasicRetail Suisse S.A., Basic Trademark S.r.l., Basic Village S.p.A., Jesus Jeans S.r.l., TOS S.r.l., BasicAir S.r.l. and Kappa Europe S.A.S.

In 2020, **selling, general and administrative expenses**, including contributions in support of marketing and international media activity, rose approx. Euro 2.7 million - in support of communications and the development of the brands through the business system.

**EBIT** amounted to Euro 3.9 million (Euro 12.1 million in 2019), following amortisation and depreciation of approx. Euro 2.5 million and depreciation of rights-of-use for Euro 1.7 million.

During the year, dividends were distributed by the subsidiaries TOS S.r.l. (Euro 600 thousand), BasicNet Asia Ltd (Euro 384 thousand) and Jesus Jeans S.r.l. (Euro 114 thousand).

On the basis of the above items, **net profit** amounted to Euro 4.7 million, after tax income of Euro 698 thousand.

**Balance sheet overview**

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Non-current assets	8,436	6,350	2,086
Brands	9,397	9,167	230
Rights-of-use	10,175	9,240	935
Investments	35,805	36,297	(492)
Current assets	89,377	88,671	706
<b>Total assets</b>	<b>153,190</b>	<b>149,725</b>	<b>3,465</b>
Shareholders' equity	91,393	95,258	(3,865)
Non-current liabilities	28,745	24,054	4,691
Current liabilities	33,052	30,413	2,639
<b>Total liabilities and shareholders' equity</b>	<b>153,190</b>	<b>149,725</b>	<b>3,465</b>

Medium/long-term loans include contractual clauses, specific guarantees and restrictions on shareholder control.

**Non-current assets** include investments in the year for the purchase of moulds and EDP for Euro 0.5 million, furnishings and other assets for Euro 0.2 million and software development for Euro 1.9 million. The value of tangible and intangible assets are recorded net of amortisation and depreciation for the year of Euro 2.5 million.

**Rights-of-use** include the value of the property lease contracts for the company's offices, owned by the subsidiary BasicVillage S.p.A., for future years, recognised in 2019 in application of IFRS 16. Amortisation of the right for the year amounts to Euro 1.7 million.

**Equity investments**, which include the book value of equity investments directly held by the Parent Company, decreased during the year following the sale of equity investments in Fashion S.r.l. and Tos S.r.l. to BasicTrademark S.r.l.

**Shareholders' Equity** at December 31, 2020 was approx. Euro 91.4 million (Euro 95.2 million in 2019), following the distribution in 2020 of dividends for Euro 6.4 million and the acquisition of treasury shares for approx. Euro 3 million.

**Financial position**

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Net financial position – Short-term	(15,091)	(10,982)	(4,109)
Financial payables – Medium-term	(15,500)	(11,438)	(4,063)
Finance leases	(105)	(101)	(4)
<b>Net financial position with banks</b>	<b>(30,696)</b>	<b>(22,521)</b>	<b>(8,175)</b>
Group financial receivables/(payables)	66,952	54,554	12,398
Payables for rights-of-use	(10,196)	(9,245)	(952)
<b>Financial position with the Group</b>	<b>56,756</b>	<b>45,310</b>	<b>11,446</b>
<b>Total net financial position</b>	<b>26,060</b>	<b>22,789</b>	<b>3,271</b>

The **net financial position** of Euro 26.1 million was up from Euro 22.8 million in 2019.

### **RECONCILIATION BETWEEN CONSOLIDATED NET PROFIT AND PARENT COMPANY NET PROFIT**

The reconciliation at December 31, 2020 between the Parent Company net equity and result and the consolidated net equity and result is reported below.

<i>(Euro thousands)</i>	<b>Net Profit</b>	<b>Shareholders' Equity</b>
<b>Financial statements of BasicNet S.p.A.</b>	<b>4,740</b>	<b>91,393</b>
Result and net equity of the consolidated companies and value at equity	4,939	27,884
Elimination of the dividends received by the Parent Company	(1,098)	-
<b>Group consolidated financial statements</b>	<b>8,581</b>	<b>119,277</b>

### **THE BASICNET SHARE PRICE**

The Share Capital of BasicNet S.p.A. consists of 60,993,602 ordinary shares of a nominal value of Euro 0.52 each.

The key stock market figures for the years 2020 and 2019 are reported in the following table:

<i>(in Euro)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Earnings per share	0.1635	0.3919
Dividend per share <sup>(1)</sup>	0.06	0.12
Pay-out ratio <sup>(1) (2)</sup>	36.6%	30.3%
Dividend Yield <sup>(1) (3)</sup>	1.4%	2.3%
Price at year-end	4.16	5.20
Maximum price in year	4.45	6.20
Minimum price in year	3.55	4.13
Stock market capitalization (in thousands of Euro)	253,733	317,167
Total number of shares	60,993,602	60,993,602
Shares outstanding	52,493,602	53,715,626

(1) dividends on the 2020 figures on the basis of the proposal for the allocation of the result to the Shareholders' AGM

(2) percentage of consolidated net profit distributed as dividend

(3) ratio between the dividend and the share price on the last day of the financial year

The list of parties holding, directly or indirectly, more than 5% of the share capital (the significance threshold established by Article 120, paragraph 2 of Legs. Decree No. 58 of 1998 for BasicNet which is classified as a "Small-Medium sized enterprise" as per Article 1, letter w-quater 1) of Legs. Decree No. 58 of 1998), represented by shares with voting rights, according to the shareholders' register, supplemented by the communications received in accordance with Article 120 of Legislative Decree No. 58 of 1998, other information held by the Company, and other communications as per Consob Resolution No. 21326 of April 9, 2020, is as follows:

Shareholders	Holding
Marco Daniele Boglione (*)	33.639%
BasicNet S.p.A.	14.081%
Francesco Boglione	6.275%
Helikon Investments Limited	5.263%
Kairos Partners SGR S.p.A.	4.650%
Enrico Boglione	3.279%

(\*) held indirectly through BasicWorld S.r.l. for 33.128% and for the residual 0.511% directly.

## PRINCIPAL RISKS AND UNCERTAINTIES

The BasicNet Group is subject to a variety of strategic, market and financial risks, as well as general business operational risks.

### Strategic risks

These risks arise from factors that may comprise the value of the trademarks that the Group implements through its Business System. The Group requires the capacity to identify new business opportunities and markets and appropriate licensees for each market. The Group monitors the activities of its licensees and detects any problems on-line in the management of the brands in the various regions. However, as the commercial license contracts usually establish the advance payment of guaranteed minimum royalties, economic conditions on certain markets may impact the financial capacity of certain licensees, temporarily reducing royalties, particularly where such licensees had previously exceeded the guaranteed minimums.

### Risks associated with economic conditions

The Group retains that its Business System has the flexibility needed to swiftly respond to changes in customers' tastes and to limited and localised consumer slowdown. However, the Group may be exposed to economic crisis and social and general unrest, which may impact on consumer trends and the general economic outlook.

### Risks associated with the Covid-19 pandemic

The spread of Covid-19 generated an unprecedented emergency on a global scale, with major health, social, and economic repercussions. The "Crisis Unit", which was set up in February in order to deal promptly with the emergency, implemented all the necessary protective measures to safeguard the health of employees and the continuity of Group operations. Against this backdrop, every possible strategy to protect the economic and financial sustainability of the Group was also adopted, including through the banking sector to secure the funding necessary to meet any cash requirement.

The duration and development of the pandemic are currently difficult to predict: this uncertainty could therefore have a negative impact on future years' results. The Group's solid balance sheet and its financial autonomy, together with the proven flexibility of its business model, mean that business continuity can be fully guaranteed.



**Licensee network operating risks**

The adoption of a licensee network system has enabled the Group brands to expand and quickly enter new markets. The Group monitors the activities of its licensees and detects any problems on-line in the management of the brands in the various regions. The most important factor of the system is therefore to guarantee the capacity to identify new business opportunities and markets and appropriate licensees for each market. The main risk is therefore the undertaking of licensees not equipped for the task and the particular local market.

The Group has adopted specific measures to assess licensees and for the drawing up of contracts to offset this risk, including:

- the parallel use of Group management and specialised local information sources to identify and negotiate with licensees;
- the use of license contracts based on a standard consolidated over time, prepared by outside international or local specialised legal experts to handle any exceptions, amendments or integrations, established through negotiations or for compliance with local rules;
- the use of three/five-year license contracts which include way-out clauses for underperforming licensees.

The Group in addition in 2012 put in place the “dotcom” BasicAudit for the control, verification and analysis of licensee operational compliance, identifying any discrepancies in their operations, developing contractual clauses requiring the annual preparation of certified statements by the International Auditing Firm to certify the data sent to the Group, and carrying out specific controls at licensee offices.

**Risks related to BasicNet Group production**

BasicNet carries out extensive selection and monitoring activities on the Sourcing Centers i.e. licensee businesses managing the production flows of Group brand finished products, which are distributed by the commercial licensees within their respective areas and has developed an IT platform which directly connects the productive and commercial licensees.

The theoretical risks identified with regards to the Sourcing Centers are:

- the possibility that the Sourcing Centers fail to identify producers who can guarantee the required quality standards of BasicNet for product packaging;
- the trust risk regarding the Sourcing Centers, which may hinder the correct identification of product costs;
- compliance risk concerning the international rules governing labour contracts and sustainability and safety compliance, which may impact the international image of the Group brands.

BasicNet has put in place specific operating mechanisms to correctly manage these risks, including:

- a selection of Sourcing Centers based on an assessment of the technical requirements to satisfy Group needs in terms of quality, volumes and production times (contained in the “Sourcing Agreement”), in addition to the financial solidity of the manufacturer, assessed through specific onsite visits and repeated on a consistent basis;
- the use of anti-trust controls that require that strategic products be produced by at least two or three Sourcing Centers (if possible in differing regions). Moreover, after five years orders are switched to a new sourcing centre, and we make sure that no factory devotes more than half of its productive capacity to our Group’s brand-name products.
- the use of contracts with Sourcing Centers stipulating the commitment of the contracting parties to comply with local and international labour and environmental regulations and the signing of a commitment to comply with the Code of Conduct, based on the key conventions of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights and the Forbidden Chemicals Agreement;
- the Sourcing Center operational cash flows are finally subject to checks by BasicAudit.

**Currency risk**

The Group is exposed to currency risk on merchandise purchases or royalty income from commercial licensees and sourcing centre commissions not within the Eurozone. These transactions are mainly in US Dollars and marginally in UK Sterling and Swiss Francs.

The risks on fluctuations of the US Dollar on purchases are measured, preliminary, in the preparation of the budgets and finished products price lists, so as to adequately cover the impact of these fluctuations on sales margins.

Subsequently, royalty income and sourcing commissions from sales are utilised to cover purchases in foreign currencies, within the normal activities of the Group centralised treasury management.

For the foreign currency purchases not covered by foreign currency receipts, or in the case of significant time differences between receipts and payments, forward purchase and sales contracts (flexi-term) are underwritten.

The Group does not undertake derivative financial instruments for speculative purposes.

**Credit risk**

Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.

Royalty trade receivables are largely secured by bank guarantees, corporate sureties, letters of credit, guarantee deposits, or advance payment, provided by licensees.

Sourcing commission receivables are covered by the payables of the subsidiaries BasicItalia S.p.A. and of the Kappa Europe Group to the Sourcing Centers.

Receivables from Italian footwear and apparel retailers within the subsidiary BasicItalia S.p.A. are monitored continually by the credit department of the company alongside specialised legal recovery firms and regional credit bodies throughout the country, commencing from the customer order. Receivables from the brand stores under franchises are paid weekly, related to their sales and do not present substantial insolvency risks.

**Liquidity risk**

The sector in which the Group operates is exposed to seasonal factors, which impact upon the timing of goods procurement compared to sales, in particular where the products are acquired on markets with favourable production costs and where the lead times are however much longer. These factors also have seasonal effects on the financial cycle of the Group's commercial companies.

Short-term debt to finance working capital needs comprises “import financing” and “self-liquidating bank advances” secured by the order backlog. The Group manages the liquidity risk through close control on operating working capital with specific attention on inventories, receivables, trade payables and treasury management, with real-time operational reporting indicators or, for some information, at least on a monthly basis, reporting to Senior Management.

**Interest rate risk**

The interest fluctuation risks of some medium-term loans were hedged with conversion of the variable rate into fixed rates (swaps).

**Risks relating to legal and tax disputes**

The Group may be involved in legal and tax disputes, concerning specific issues and in various jurisdictions. Considering the uncertainties relating to these issues, it is difficult to predict with precision any future payments required. In addition, the Group has instigated legal action for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Group often derive from complex legal issues, which are often subject to varying degrees of uncertainty, including the facts and circumstances relating to each case, jurisprudence and different applicable laws.

In the normal course of business, management consults with its legal consultants and experts in fiscal matters. The Group accrues a liability against disputes when it considers it is probable that there will be a financial payment made and when the amount of the losses arising can be reasonably estimated.

The main disputes in which the Group is involved are summarised below.

*K-WAY disputes in China*

The dispute that began in 2018 with the Chinese company Taizhou Boyang, owner of a number of K-WEY and K-WAY brands in China has been settled: in December, the parties signed an agreement providing for the transfer of ownership over all trademarks, domains and other rights held by Taizhou Boyang to BasicNet, and the consequent settlement of all pending disputes. This initiative will allow the Group to distribute the K-WAY brand in China.

BasicNet will pay a total of Euro 1.15 million in instalments, as the process of registering the new owner with the competent authorities progresses.

*Tax disputes**End-of-mandate prov. deductibility*

In the initial months of 2018, a tax dispute with the Tax Agency began, following the inspection by the Finance Police for the years 2012 to 2017 at BasicNet S.p.A.. In the tax assessment, the Agency alleges the partial non-deductibility of the Post-employment benefit provision accrual made for the Executive Boards for the years 2012 to 2014, on the basis of an interpretation of the rules governing Post-employment benefits for employees, in the total absence of specific tax rules. The Tax Agency is claiming approx. Euro 360 thousand for IRES, in addition to penalties and interest. Not agreeing with the Tax Agency's interpretation and noting also favourable jurisprudence in similar cases, the company presented an appeal for all of the years subject to assessment. In March 2019, the Turin Provincial Tax Commission heard the appeal presented by BasicNet. The Tax Agency has appealed against the Tax Commission's decision. The hearing before the Regional Tax Commission held in September confirmed the Turin Provincial Tax Commission's verdict, finding in favour of BasicNet.

*Alleged tax inversion Basic Properties America*

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered office in New York-USA, following checks on BasicNet by the Finance Police in 2017, on the basis of the alleged tax inversion claimed by the latter against the US subsidiary. The assessments concern financial years 2011, 2012 and 2013, alleging tax evasion in Italy for approx. Euro 3.6 million, in addition to interest and penalties. Tax assessments were also received by BasicTrademark S.A. and SupergaTrademark S.A. for the alleged evasion of VAT for approx. Euro 1 million, on the basis that the royalties paid by Basic Properties America, Inc., for tax purposes considered an Italian company, to these two companies should have been subject to VAT. At the beginning of the present month of July, similar tax assessments for financial year 2014 were received, with claims for additional taxes of approx. Euro 0.3 million and for VAT for approx. Euro 0.1 million.

As they did not consider the arguments put forward by the Agency to be well-founded, the companies lodged appeals against the tax assessments and requests for provisional suspension of the executive effects of the assessments. The Turin Provincial Tax Commission, which had already accepted the request for provisional suspension in October 2019, at the end of January 2020 fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (now S.r.l.) and Superga Trademark S.A. (now S.r.l., incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency.

In June, the Tax Agency appealed against the Provincial Tax Commission's decision. The defence panel has filed its counter-arguments to the appeal and the Regional Tax Commission has not yet set a date for discussion.

## OTHER INFORMATION

### ***HUMAN RESOURCES AND THE ENVIRONMENT***

Human Resources and the environment are explored in specific sections of the Consolidated Non-Financial Report as per Legislative Decree 254/2016, respectively at paragraphs 3 and 4, to which reference should be made.

### ***TREASURY SHARES***

Under the treasury share buy-back programme, authorised by the Shareholders' AGM of June 26, 2020 and concluding at the date of the Shareholders' AGM for the approval of the 2020 Annual Accounts, at the date of this report 925,496 treasury shares had been acquired (1.517% of the Share Capital) at an average price of Euro 3.675, for a total of Euro 3,401,372.

BasicNet today holds a total of 8,588,751 treasury shares (equal to 14.081% of the Share Capital), for an investment of Euro 25 million. The Group intends to continue the share buy-back programme in 2021 and proposes to the Shareholders' AGM to renew the authorisation. The proposal is submitted in order to provide the Company with an instrument to assist projects developed upon the strategic guidelines under which share swap opportunities are presented or as a guarantee for financing operations.

### ***STOCK OPTION PLANS***

At the date of the present Report there are no stock option plans.

### ***OPT-OUT REGIMES***

The Board of Directors of BasicNet decided on 19/12/2012, in accordance with Consob motion No. 18079 of January 20, 2012, to apply the opt-out as per Article 70, paragraphs 8 and 71, paragraph 1-*bis* of the Issuers' Regulation, applying therefore the exception from publication of the required disclosure documents concerning significant merger, spin-off, share capital increase through conferment of assets in kind, acquisition, and sales operations.

### ***SHARES HELD BY DIRECTORS AND STATUTORY AUDITORS***

The shares held by the Directors and Statutory Auditors are reported in the Remuneration Report, available together with the documentation for the 2021 Shareholders' AGM on the website [www.basicnet.com](http://www.basicnet.com), to which reference should be made.

### ***TRANSACTIONS WITH HOLDING COMPANIES, ASSOCIATES, OTHER INVESTMENTS AND RELATED PARTIES***

The transactions with related parties are not atypical or unusual and form part of the ordinary business activities of the companies of the Group. These transactions were at normal market conditions.

The information on transactions with related parties are presented in Note 50 of the consolidated financial statements.

The operations between Group companies, which substantially involve the purchase of goods and provision of services, under normal market conditions, are not of an atypical or unusual nature, but within the normal business activities of the companies of the Group and are eliminated on consolidation.

The effects deriving from transactions between BasicNet S.p.A. and its subsidiaries are reported in the financial statements of the Parent Company and in the explanatory notes to the financial statements.

The Italian Group companies took part in the tax consolidation of BasicNet S.p.A. as per Articles 117 and subsequent of the Income Tax Law - Pres. Decree December 22, 1986 No. 917.

On October 29, 2010, the Board of Directors approved the related parties transactions procedure, which was updated in October 2016 and is summarised in the Corporate Governance and Ownership Report. The procedure is also available in its full version on the Group website ([www.basicnet.com](http://www.basicnet.com) in the section “BasicNet Corporate Governance”).

### **Governance of subsidiaries outside of the European Union**

In accordance with Article 15 of the Markets' Regulation, the company and its subsidiaries utilise administrative-accounting systems which enable the provision to the public of the financial statements used for the purposes of the preparation of the consolidated financial statements of the companies falling within the scope of this regulation and permit management and the auditors of the Parent Company to access the data necessary for preparation of the consolidated financial statements.

The conditions of the above-stated Article 16, letters a), b) and c) of the Markets' Regulation issued by Consob are therefore complied with.

The composition of the Board of Directors of the companies is available on the website [www.basicnet.com/ilgruppo/organisociali](http://www.basicnet.com/ilgruppo/organisociali).

### **RESEARCH & DEVELOPMENT**

In keeping with its economic goals and its responsibility to its stakeholders, the Group regards research and innovation as key to its growth and success.

The Group's research and development activity focuses on three main fields of inquiry:

- product research aimed at developing collections of athletic and casual apparel and footwear;
- IT research aimed at developing data collection and transmission systems;
- research and development of communication and marketing guidelines.

These fields of inquiry – the pursuit of which involves most internal personnel – translate into three main types of research and development activities:

- creating and designing products to suit market needs and the performance specifications set by clients for articles of apparel;
- designing and testing the software and applications that comprise the IT platform, taking account of the needs expressed by licensees;
- drafting and implementing global “marketing communication” guidelines to be made available on the web portal to licensees for the development of local marketing.

### **Creating garment models and designs**

This category includes product research aimed at developing collections of athletic and casual apparel and footwear, from material research to the styling and graphical design of garments, the identification of specific production techniques and the creation of garment prototypes and samples. BasicNet develops models and designs for all of the Group's brands with the goal of marketing products that provide high added value and are strongly appreciated by consumers for their aesthetic qualities, such as their colour, materials and shape. Designs and models are validated through prototyping (in some cases involving the use of 3D printers), which allows designs to be shared with licensees and Sourcing Centers, often – and most importantly – before actual production begins. In particular, concepts are created, basic designs are prepared and prototypes are produced for all unique, individual designs and models. Early designs form a "meta-collection" which then becomes a "mega-collection" (a set of approved articles) on the basis of feedback from the various licensees. Mega-collections are sold to various distributors over the Web. Product research costs are expensed in the year in which they generate revenues from sales, or royalties from the relative collections.

### **New software development**

This category includes IT research in terms of electronic data processing and transmission systems through the internet platform interconnecting Network licensees and externally, to develop all the opportunities arising concerning new technologies to speed up data transfer and therefore business efficiency.

The software and apps developed fall into three major categories by intended use:

- software and applications used in business management (enterprise resource planning - ERP), i.e. vertical IT solutions for various company functions that can be automated and/or monitored within a business, thus allowing users to operate in a uniform, integrated environment;
- e-commerce software and applications, i.e. highly innovative business solutions that meet a wide range of needs in terms of interface, marketing of products and samples (including visual components, designs and "virtual fashion shows") and marketing solutions;
- Web-integration software and applications, i.e. innovative platforms and management systems based on Web interfaces (online management), intended for use in communication between network members.

This type of software is generally used in specific functional areas to carry out activities such as selecting, negotiating and entering into licence agreements, managing the procurement of goods and services, managing e-commerce sales, managing all administrative activities, managing workplace health and safety obligations, managing cash flows, preparing and reviewing budgets for management, managing institutional and commercial communication, carrying out sponsorship activities and activities involved in designing new collections and making them available to network member companies.

### **Brand exploitation and sponsorship**

This category includes research regarding communication and marketing, i.e. the means that licensees use to inform end users of their products and what sets them apart from the competition or the state of the art, as well as to advertise their products and brands. Communication and marketing contribute to brand value and drive sales by increasing brand visibility, supporting positive views or perceptions of brands and increasing customer loyalty. It follows that in order for a brand to grow in the long term, marketing must be appropriately organized so as to satisfy the needs of an increasingly large audience and to take account of multiple objectives. BasicNet S.p.A. is responsible for setting the Group's commercial strategy and managing the proper combination of distribution and development channels for the e-commerce platform to meet the needs of third parties in all segments of the market. Local licensees are responsible for carrying out marketing activities in accordance with the Group's guidelines. The activity performed by BasicNet S.p.A. in this regard is thus attributable to the following communication channels: promotion of sales, public relations, advertising and interactive marketing.

Research and development are performed by a team of approximately 96 members.

In conducting business, the BasicNet Group is committed to ensuring ethical, transparent relations with all of its stakeholders, and with its shareholders, employees and business partners in particular. Development of BasicNet's business is centered on compliance with laws and regulations, combating bribery and corruption, ethical values and respect for human rights. The following Corporate Governance and Ownership Structure Report and Consolidated Non-Financial Report are key to ensuring transparency and responsibility towards all of the Group's stakeholders.

## **SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK**

### **Incorporation of K-Way S.p.A.**

In February 2020, the company K-Way S.p.A. was established in Milan, with the objective of consolidating all the Group's activities related to the brand.

The transaction, which does not entail any change in the Group's ownership structure or equity structure, is designed to enable better focus on the brand.

### **Outlook**

On the basis of the backlog and the ongoing investment in developing the Brands and consolidating the Group, a commercial recovery is expected in 2021. Its extent however depends significantly on the duration of the health emergency.

\* \* \*



## **PROPOSAL TO THE SHAREHOLDERS' AGM TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR**

Dear Shareholders,

we submit, for your deliberation, the following:

### **MOTION**

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2020 results, the Directors' Report and having noted the Board of Statutory Auditors' Report and that of the Independent Audit Firm EY S.p.A.,

### **RESOLVES**

to approve the Directors' Report and the Financial Statements at December 31, 2020, in relation to each individual part and in its entirety.

## **PROPOSAL TO THE SHAREHOLDERS' AGM FOR THE ALLOCATION OF THE NET PROFIT FOR THE YEAR**

Dear Shareholders,

We propose the allocation of the net profit of Euro 4,739,596.08 as follows:

▪ reserve for unrealised exchange gains	Euro	112,241.04
▪ to each of the 52,404,851 ordinary shares in circulation (excluding the 8,588,751 treasury shares held at March 2, 2021), a dividend of Euro 0.06 before withholding taxes for an amount of	Euro	3,144,291.06
▪ to retained earnings the residual amount, equal to	Euro	1,483,063.98

The dividend will be paid from April 21, 2021, with record date of April 20, 2021 and coupon date (No. 14) of April 19, 2021.

We also propose that, if at the dividend coupon date the number of shares with dividend rights is lower than indicated above due to any share buy-backs by the company, the relative dividend will be allocated to retained earnings, as will any rounding made on payment.

We propose therefore the following:

### **MOTION**

The BasicNet S.p.A. Ordinary Shareholders' AGM

### **RESOLVES**

to approve the proposed allocation of the profit for the year of Euro 4,739,596.08 and the proposed dividend payment.



Turin, March 2, 2021

for the Board of Directors

**The Chairman**

Marco Daniele Boglione

## CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

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

The Shareholders’ AGM represents 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, which is also the committee for Related Parties, and the Remuneration Committee.

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

For paragraph 1. Introduction of the Issuer’s profile, reference should be made to the full version published on the [www.basicnet.com](http://www.basicnet.com) website.

### 2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 2, 2021 (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 this Report, the Company holds 8,588,751 treasury shares, equal to 14.081% of the share capital.

The Company has not issued 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)

As stated above, with reference to Article 1, letter w-*quater* 1) of the CFA, BasicNet qualifies as a “Small- Medium-sized 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, and other communications as per Consob Resolution No. 21326 of April 9, 2020, 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.	14.081%	Treasury shares in portfolio.
Francesco Boglione	6.275%	Held indirectly through Francesco Boglione S.r.l. for 1.719%, with the residual 4.556% held directly.
Helikon Investments Limited	5.263%	Owners of shares whose voting rights are exercised by the declarant Helikon Long Short Equity Fund Master ICAV
Kairos Partners SGR S.p.A.	4.650%	
Enrico Boglione	3.279%	Held indirectly through Enrico Boglione S.r.l. for 2.126%, with the residual 1.153% held directly.

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

Statutory provisions in relation to Takeovers

The Extraordinary Shareholders' Meeting of April 29, 2011 approved, among other matters, the change to Article 16 of the Company By-Laws – Powers of the Board of Directors and legal representation – in order to recognise to the Board of Directors the right to undertake, at any moment and without prior authorisation of the Shareholders' AGM, 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' AGM authorisation, all acts and operations against the objectives of a public share or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer”.*
- *“the Board of Directors, and any Executive Boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the Company, undertaken before the communication as described above and whose implementation could negate the achievement of the objectives of the offer”.*

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

- Powers to increase the Share Capital

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

- Authorisation of share buy-back plan

The Shareholders' AGM of June 26, 2020 approved, for a period of twelve months, or until the next Shareholders' AGM to approve the 2020 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 10 million. As part of the treasury share buy-back programme, at the date of this Report, BasicNet S.p.A. has acquired 925,496 shares (equal to 1.517% of the share capital) at an average price of Euro 3.675 for a total payment of Euro 3,401,372.

BasicNet today holds a total of 8,588,751 treasury shares (equal to 14.081% of the Share Capital), for an investment of Euro 25 million.

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

Following its appointment, the Board of Directors examined the issue during its meeting of July 25, 2019; as a result of the assessments made, it concluded that BasicNet S.p.A. is not subject to management and co-ordination activities pursuant to Article 2497 et seq. of the Civil Code and defines its general strategic and operational guidelines in full autonomy.

Specifically, 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, and with reference to Article 16 of the Consob Market Regulation:

1. there are no rules which limit BasicNet S.p.A.'s decision-making autonomy, either in contractual form or through organisational procedures;
2. it does not have in place with BasicWorld S.r.l. any centralised treasury arrangement.

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. In addition, the co-ordination involves the central management within BasicNet S.p.A. of the Treasury, personnel ICT, corporate affairs and operating control.

These activities permit both economies of 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/dati finanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/dati finanziari/assembleeazionisti.asp);
- the disclosures required by Article 123-*bis*, paragraph 1, letter l) of the CFA (“applicable regulations concerning the appointment and replacement of Directors, in addition to the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.1) of this Report.

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

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

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

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

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

Neither 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](http://www.basicnet.com/contenuti/gruppo/statuto.asp).

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

The procedure for appointment as per Article 13 provides:

- for filing, at the registered office of the Company, within the terms required by regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personal and professional details of the candidates;
- that the minority shareholders that either alone, or together with other shareholders, holding voting rights not lower than that required by current regulations, will be reserved the appointment of one Director. For 2021, as in previous years, this percentage was set at 4.5% (Consob Executive Resolution No. 44 of January 29, 2021);
- 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 one; ii) from the slate which obtained in the Shareholders' Meeting the second highest number of votes one member is elected of the Board of Directors as the first candidate on this slate;
- consideration is not taken of the slates which have not obtained at least the number required by the Company By-Laws for the presentation of the slates;
- should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting is taken to decide between them with the candidate being elected through a simple majority of the votes. In the case of presentation of only one slate, or in the case of no slate presented, the Shareholders' Meeting deliberates in accordance with the statutory majority.

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

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

#### Executive Directors succession plans

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

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

The mandate of the Board of Directors currently in office, appointed by the Shareholders' AGM of April 19, 2019, will conclude at the Shareholders' AGM 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 initial appointment (**)	No. Other Appointments (***)
Marco Boglione	Chairman	M	1999	
Daniela Ovazza	Non-Executive 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 Coghi	Independent and Non-Executive 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	--
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 required for submission 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 available on the Company website at [www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp](http://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 significance where the Board also presents a slate of candidates for the renewal of positions, an event which BasicNet has not yet encountered;
- 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. 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, since no difference in treatment relating to gender (considering equivalent roles and seniority) or in the composition of the Group's workforce (792 personnel, 507 women, 285 men) is evident.

### **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 understanding of the organisational structure and corporate processes and to ensure that they remain informed regarding corporate affairs and developments. 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)

During 2020 the Board held eleven meetings lasting an average of two hours each. Against a backdrop of uncertainty created by the COVID-19 pandemic, the Board of Directors met on a virtually monthly basis to ensure that it remained constantly up to date on the progress of business affairs and the maintenance of financial equilibrium.

In January 2021, the Company published its financial calendar which established the days for the five Board meetings for 2021, for the review of the preliminary results, the approval of the 2020 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. During its meeting on October 29, 2020 and in order to provide more complete and timely disclosure, the Board of Directors decided to combine its quarterly reporting on commercial performance with market disclosure regarding movements in its main operating and financial performance indicators, which are constantly monitored by the Group. The quarterly disclosure shall be published in a press release to be issued on conclusion of the Board of Directors' meetings called to approve the above results.

The calendar is available on the website [www.basicnet.com](http://www.basicnet.com).

On February 10, 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. From 2019, a dedicated section called "My Documents" has been set up on the corporate website where documents are uploaded for discussion on agenda items. 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 which case the documentation shall be made available during the meeting. The above-mentioned deadline was always complied with, usually in advance, for Board meetings in 2020.

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.

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 companies that own brands, the following are identified as strategic: BasicItalia S.p.A., the Group's Italian licensee; BasicRetail S.r.l., as manager of the Group's retail business; Kappa Europe S.A.S., a subsidiary of BasicItalia S.p.A. and the holding company for a group of companies that hold licenses for the Kappa® brands in France, the UK, Switzerland, Spain and Portugal. Continuity in the composition of the Board of Directors of the companies of the Group facilitates 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 exercise of the powers conferred, in accordance with Article 13 of the Company By-Laws;
- e. evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;
- f. examines and approves the company and its subsidiaries' operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Company, paying particular attention to the situations in which one or more Directors have an interest on their own behalf or on behalf of third parties, and, in general, transactions with related parties.

At its meeting of March 2, 2021, the Board of Directors 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, and 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.

Every six months, the Board also examines the report of the Control and Risks and Related Parties Committee containing a summary of the activities carried out, their results and the opinion on the adequacy of the internal audit and risk management system. At the meeting of March 2, 2021, the Board, noting that in 2020 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 annual budget available to the bodies constituting the Internal Control System.

The Shareholders' AGM 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' AGM 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 and financial debt transactions with a value greater than 60% of the consolidated net capital of the Company, 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 and financial debt transactions with a value greater than 50% of the consolidated net capital of the Company, 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 for Financial Reporting, the powers for the administrative and financial management of the Company.

At the date of the present Report there are no interlocking directorates.<sup>1</sup>

#### *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 continue 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.

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

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

#### *Reporting to the Board*

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

### 4.5. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman Marco Boglione, the following are Executive Directors: the Chief Executive Officer, Federico Trono, the Directors Paola Bruschi, Group Finance Director, Alessandro Boglione, Chief Executive Officer of the subsidiary BasicItalia S.p.A., Executive Chairman of the Board of Directors of Kappa France S.A.S. and BasicRetail S.r.l., Chairman of BasicNet Asia Ltd, Lorenzo Boglione, Chief Executive Officer of Basic Trademark S.r.l. and Tos S.r.l., Chairman of the Board of Directors of BasicAir S.r.l., Vice President for Business Development of Basic Properties America Inc. and Director of Kappa France S.A.S.

Directors Veerle Bouckaert, Head of Legal Affairs, Francesco Genovese, Vice President Organisation, and Alessandro Jorio, Group Creative Manager, are Executives of BasicNet S.p.A.

### 4.6. INDEPENDENT DIRECTORS

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

<sup>1</sup> 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.

The Board of Directors on their respective appointment to office and in the Board meeting of March 2, 2021 assessed, on the basis of their declarations, the independence of the Directors Cristiano Fiorio, Renate Hendlmeier and Adriano Marconetto, and confirmed the independence of the Director Elisa Corghi<sup>2</sup> 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 impartial judgement.

As stated in the report to the Shareholders' AGM called for the approval of 2020 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 provided for by the Self-Governance Code, Adriano Marconetto co-ordinates any requests and contributions from Independent Directors, ensuring that the Directors receive complete and timely information flows on the Company's management and performance.

---

<sup>2</sup> At the end of December, within the scope of the Board's delegated powers, the Chairman of BasicNet S.p.A. submitted a non-binding expression of interest for access to the data room presented by Cornelian S.p.A., a company in composition with creditors. During the next meeting of the Board of Directors held on February 10, the Director Elisa Corghi informed the Board of her interest, pursuant to Article 2391 of the Civil Code, in relation to the non-binding expression of interest submitted by BasicNet S.p.A.. Pursuant to the provisions of the Corporate Governance Code concerning the occurrence of "circumstances relevant to independence", the Director Elisa Corghi submitted her statement for the necessary assessments by the Board with regard to the continuing existence of the independence requirements. On March 2, 2021, the Board of Directors, considering that BasicNet S.p.A. no longer has any interest in Cornelian S.p.A., confirmed that Elisa Corghi meets the independence requirements.

## 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 114 and thereafter of the CFA.

The procedure is available on the website: [www.basicnet.com/contenuti/gruppo/internaldealing.asp](http://www.basicnet.com/contenuti/gruppo/internaldealing.asp).

In 2020, 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 Risks 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 internal Board Committees.

## 7. APPOINTMENTS COMMITTEE

The Board of Directors has on several occasions considered the possibility of establishing an internal appointments 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 comprising the Non-Executive Directors Carlo Pavesio (Chairman), Daniela Ovazza, and the Non-Executive and Independent Directors Elisa Corghi, Renate Hendlmeier and Adriano Marconetto.

The Chairman of the Committee, Carlo Pavesio, and the Director Elisa Corghi have held and still hold this position at 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.

Within its remit, the Committee: makes proposals to the Board concerning the Remuneration Report, taking into account the vote expressed by the Shareholders' AGM on the second section of the Report; periodically assesses, when preparing the annual remuneration report, the adequacy of the general policy adopted for the remuneration of Executive Directors and Directors holding specific offices; submits proposals to the Board concerning the remuneration of Directors holding specific offices and of Senior Executives; defines the procedural conditions according to which exceptions to the remuneration policies can be applied and specifies the elements of the policy from which exceptions may be made, in the cases provided for by paragraph 3-*bis* of Article 123-*ter* of the CFA.

The Committee has access to the information and departments necessary for the carrying out of its remit.

The Committee met six times during 2020 to review the draft Remuneration Report to be submitted to the Shareholders' AGM, formulate proposals for the award of a one-off bonus to certain Directors, and consider increasing compensation for certain Directors, beginning in 2021, in light of their increased involvement in the management of certain subsidiaries and strategic activities. The Chairman of the Board of Statutory Auditors attended 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 2, 2021, the Board approved the BasicNet S.p.A. Remuneration Report available on the company website, together with the Shareholders' AGM documentation, at [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp).

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 Senior Executives is determined by the Board of Directors, pursuant to Article 2389 of the Civil Code, on the proposal of the Remuneration Committee and considering the advice (where necessary) of the Related Parties 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 where the Board of Directors intends to grant bonuses or increase fixed compensation, including non-monetary benefits, for the Board of Directors or the Senior Executives.

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 BasicNet's Executive Directors, the Board of Directors has identified within the BasicNet Group two Senior Managers, in the persons of the Chairman of BasicItalia S.p.A., who is also the CEO of BasicVillage S.p.A. and BasicAir s.r.l., and the General Manager of the subsidiary Kappa Europe S.A.S., who is also the CEO of BasicAir S.r.l. The Board also determines remuneration for the members of the Committees, the Supervisory Board, the Internal Audit and the Executive Officer for Financial Reporting; no incentive mechanisms are provided for the latter two positions.

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 Article 123-bis, para. 1, letter i) of the CFA)

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

## 10. CONTROL AND RISKS COMMITTEE

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

The Control and Risks Committee was appointed at the Board meeting of April 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. The Board believes that the members possess adequate accounting and financial expertise.

*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;
- analyses the periodic reports, concerning the evaluation of the Internal Control and Risk Management System, 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 ten occasions in 2020, 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, acknowledged the update to the 231 Model, reported 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 2019 and December 2020 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.
- monitored compliance with the related parties procedures and with the framework contracts which govern related party transactions;
- constantly monitored the Group's financial performance and compliance with health and safety regulations regarding the pandemic;
- the pandemic led to the postponement of the implementation of an ERM project.

As the Related Parties Committee, it:

- monitored compliance with the related parties procedures and with the framework contracts which govern related party transactions;
- expressed a favourable opinion on the allocation of one-off bonuses to certain Directors, as detailed in the Remuneration Report, to which reference should be made;
- expressed a favourable opinion on an increase in annual compensation for certain Executive Directors from 2021, considering the expanded areas of responsibility resulting from investments concluded in 2020 and the strategic projects launched during the same year.

The meetings - minuted and of an average duration of around two and a half hours - were attended by the Board of Statutory Auditors, 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 Officer for Financial Reporting of the Group, the Director in charge of the internal control and risk management system, Paola Bruschi, the Internal Audit Manager, Mario Sillano, and the members of the Supervisory Board and the company appointed to audit the Group. All meetings were held jointly with the Board of Statutory Auditors.

In the carrying out of its duties, the Committee has full access to the information and to the relevant departments necessary.

## 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 their adequacy and effective functioning, ensuring that the principal corporate risks are identified and adequately managed.

The Board of Directors considers 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 Centers Ethics Code which includes social compliance principles and the Organisation, 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. Specifically, 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 corporate departments.

In order to improve 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.

During 2020, the Group held regular conference calls to present its results to analysts and managers. These calls were supported by dedicated presentations. The Board of Directors also resolved to report the main income statement and balance sheet indicators on a quarterly basis in order to provide the market with timely information and greater transparency regarding the Company's performance.

As regards assessment of the Internal Control and Risk Management System, on March 2, 2021 the Board of Directors considered that there were no indicators to suggest that the system is not substantially appropriate for overseeing 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.

Description of the principal characteristics of the Internal Control and Risk Management 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. The Internal Control and Risk 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 for Financial Reporting 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

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

The Internal Audit Manager, who does not report to any operating department, has access to all information considered necessary to carry out the role. The manager reports to the Control and Risks Committee, the Board of Statutory Auditors and the Executive Director responsible for the functioning of the Internal Control and Risk Management System, at the Committee meetings.

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

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 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 Audit function, as a whole, was entrusted to an external company (Progesa S.a.s.), assisted by support activities that focused on process design. The activities were outsourced as it was considered that the head of the company, who has already undertaken work within the Group, possesses the necessary attributes to undertake such work efficiently 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 S.p.A. and BasicItalia S.p.A. have adopted an "Organisation and management model as per Legislative Decree No. 231/2001" (hereinafter also the "231 Model"), which is continually updated in line with the introduction of new offences under the framework regulation.

The provisions of the Model complete the Group Ethics Code and the Sourcing Centers Ethics Code, 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](http://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 Code, 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. During 2020, the Model was updated to implement new crime provisions, specifically: tax crimes, crimes against the Public Administration (expanding the range of crimes against the Public Administration provided for by Article 24 of Legislative Decree 231) and smuggling offences. The structure of the Model has also been modified to include a special section designed to make the Model more user-friendly. This is achieved by indicating the behavioural principles to be adopted in order to avoid committing the offences identified as those to which the Company is most susceptible.

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. The SB met four times in 2020 and supplemented its activities with oversight of compliance with health regulations for worker safety in the context of the COVID-19 pandemic.

## Ethics Code

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

In 2020, 55 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 141 participants, of which 1 Executive, 138 white-collar and 2 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 performance of 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](http://www.basicnet.com/contenuti/corporate/codiceetico.asp) in the area dedicated to Group employee time-keeping.

## Sourcing Centers Ethics Code

The 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 undertakes to ensure that each stage of the production chain fully complies with the principles and conditions of the Ethics Code. Sourcing Centers are therefore at all times held accountable for suppliers' full compliance with the principles of the Ethics Code.



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 Center's employees. If a violation is found to have been committed, BasicNet and the Sourcing Center are required to agree on a Corrective Action Plan aimed at remedying the violation promptly. If a Sourcing Center commits repeated and/or deliberate violations of the 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 forbidden. 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 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 offence 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 – was carried out through 81 hours of training in 2020, involving 122 participants, of which 1 Executive and 119 white-collar workers and 2 blue-collar workers, all based in Italy.

<b>Participants in training on anti-corruption policies</b>		<b>2020</b>	<b>2019</b>
Executives (No.)		1	1
	% of total Executives*	3%	3%
White-collar (No.)		119	216
	% of total White-collar*	22%	38%
Blue-collar (No.)		2	2
	% of total Blue-collar*	10%	7%
<b>Total (No.)</b>		<b>122</b>	<b>219</b>
	<b>% total Group*</b>	<b>20%</b>	<b>35%</b>

*\*Percentages are calculated on the average workforce in Italy in 2020.*

A clause regarding anti-corruption practices is present in the licensing contracts of all Sourcing Centers and Licensees (respectively Sourcing Agreements and Distribution Agreements).

#### 11.4 INDEPENDENT AUDIT FIRM

The audit is carried out by an independent audit firm registered in the relevant registrar. The Shareholders' AGM of April 27, 2017 appointed EY S.p.A. to audit the accounts for the 2017-2025 period.

The proposal to the Shareholders' AGM regarding the new appointments, in accordance with Legislative Decree No. 135 of July 17, 2016 and Regulation (EC) No. 537/2014, included, 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 appointed 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 undertaking 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 Audit department for the mapping and analysis of processes and to carry out specific checks.

The Executive Officer for Financial Reporting 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 Officer for Financial Reporting, the Internal Audit Manager, a member of the Supervisory Board, the Board of Statutory Auditors, and often by the Audit firm, 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 Party Transactions Committee comprising four 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](http://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](http://www.basicnet.com) at [www.basicnet.com/contenuti/gruppo/statuto.asp](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 Statutory Auditor and the other for candidates for the office of Alternate Auditor. The slates must be drawn up so as to ensure that the resultant Board of Statutory Auditors complies with the applicable gender balance regulations in force.

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

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

Each shareholder, in addition to shareholders belonging to the same group, in accordance with Article 2359 of the Civil Code and the parties belonging to, also through subsidiaries, a shareholders’ agreement in accordance with Article 122 of Legislative Decree No. 58 of February 24, 1998, may not present, nor vote upon, nor through nominees of trust companies, more than one slate. In the case of violation of this rule no consideration is taken on the vote of the shareholder on any list.

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

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

In accordance with Article 1, paragraph 3, of the Ministry for Justice Decree No. 162 of March 30, 2000, the sectors closely related to those in which the Company operates are:

- 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' AGM, 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' AGM, 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 and Surname	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 Issuers' Regulation. The complete list of offices held is published by Consob on its website pursuant to Article 144-*quinqüesdecies* 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, 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' Regulation.

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.basiconet.com/contenuti/gruppo/organisocialisocieta.asp](http://www.basiconet.com/contenuti/gruppo/organisocialisocieta.asp).

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

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

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

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

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

## 15. RELATIONS WITH SHAREHOLDERS

The 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](http://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. 2020 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 - supported by a specific presentation - and meetings with individual investors continued and were extended to include a number of Italian and overseas operators. The Company also resolved in October 2020 to provide quarterly full reporting of key operating and financial indicators, in order to provide more timely and complete communication with the financial markets.

## 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](http://www.basicnet.com/contenuti/gruppo/regolamento.asp).

As per Article 2 of the Shareholder' Meeting Regulation, those holding shares in accordance with applicable legislation and the By-Laws, or their proxies or representatives, may attend and speak at the Shareholders' AGMs. 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 be 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 any further necessary information for the undertaking of fully informed decisions.

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

In 2020, two Shareholders' Meetings were held. In order to minimise the risks connected with the health emergency in progress, the Company has decided to make use of the option - established by Article 106 of Legislative Decree No. 18/2020 - to provide in the call notice that shareholders' participation in the Shareholders' AGM shall be exclusively through the designated agent pursuant to Article 135-undecies of Legislative Decree no. 58/98 (CFA), without physical participation by shareholders.

#### 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

In the meeting of March 2, 2021, the Board of Directors, considering that BasicNet S.p.A. no longer had any interest in Cornelian S.r.l., also considered that the only element that would have entailed the need to assess the existence of the requirement of independence of Ms. Corghi had ceased to exist. Therefore, it resolved to confirm the existence of the independence requirement for the Director Elisa Corghi. For further information, please refer to note 2 of section 4.6 "Independent Directors" of this document.

#### 19. CONSIDERATIONS ON THE LETTER OF DECEMBER 22, 2020 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

In December 2020, 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 Board of Directors and Board of Statutory Auditors at the meeting of February 10, 2021.

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

- as regards the first recommendation, the topic of integrating sustainability into Group strategies, Internal Control and Risk Management System and remuneration policy (including on the basis of analysis of the importance of the factors that may affect long-term value creation), is developed fully in the body of the Non-Financial Report (NFR), to which reference should be made, and which, being the Company's main focus currently, is summarised in this Report.

BasicNet is aware that the Group's operating growth is closely linked to the development of its licensees, and that this link represents an initial important factor of sustainability that is inherent within the Group's business model. BasicNet intends to instil, in every one of the operators with which it collaborates, the values and principles of an operating model that encourages sustainable development from economic, environmental and social standpoints. The ultimate aim of the project, called INLIGHT, which was launched last year for Sourcing Centers, is to audit the supply chain in order to provide an objective assessment of the ethical reliability of the Group's production partners and to reduce associated social risk. This intention has led to the creation of an action plan that includes evaluation of supplier strategy and sustainability performance by a third party Independent Body.

Evaluation of supplier sustainability performance will be formalised in a Desktop Audit program supported by a third party agency. This will consider international indicators, which will be given a specific and determined weighting and will be used to calculate the Intrinsic Risk (IR) for each individual supplier. These indicators are:

- World Bank Governance Indicator
- United Nations Human Development Index
- Corruption perception index
- U.S. State Department report on human trafficking

The project, which involves direct contact with each manufacturing unit around the world, suffered some delays due to the ongoing Covid-19 pandemic.

- As regards the second recommendation concerning the management of information flows to the Board of Directors, reference should be made to paragraph 4.3 - Role of the Board of Directors, highlighting the improved usability of information following the creation of an information repository on the company intranet.
- As regards the third recommendation, which requires individual justification of the possible non-application of one or more independence criteria and *ex ante* definition of the quantitative and/or qualitative criteria to be used for the assessment of the significance of the relationships under review, the Board reserved the right to proceed on a case-by-case basis in defining these criteria, giving detailed reasons in the annual report.
- As regards the Board of Directors self-assessment, and with particular reference to the Board's contribution to the definition of strategic plans, the assessments already expressed in paragraph 4.3, to which reference should be made, are confirmed.
- Finally, as regards the fifth recommendation concerning the appointment and succession of Directors, the Board will assess whether to create an Appointments Committee, also considering the new provisions of the Code.
- As regards remuneration, reference should be made to the Remuneration Report [www.basicnet.com/contenuti/dati/finanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/dati/finanziari/assembleeazionisti.asp).

For the Board of Directors

**The Chairman**

Marco Daniele Boglione



## CONSOLIDATED NON-FINANCIAL REPORT

### DRAWN UP AS PER LEGS. DECREE 254/2016

#### Methodology

This document represents the Consolidated Non-Financial Report pursuant to Legislative Decree No. 254/2016 (hereinafter also referred to as the “Non-Financial Report” or the “Report”) prepared by the BasicNet Group, comprising BasicNet S.p.A. and its subsidiaries (hereinafter also referred to as the “BasicNet Group”, the “Group” or “BasicNet”).

As a large Public Interest Entity, the BasicNet Group has prepared a Non-Financial Report to fulfil the obligations under Article 3 of Legislative Decree No. 254/2016, which transposed Directive 2014/95/EU into Italian law. Accordingly, this Report includes an account of the main policies applied by the entity, the management models and main activities carried out by the Group in 2020 with regard to the matters expressly cited in Legislative Decree No. 254/2016 (environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters). In particular, the matter of human rights is applied by the Group to its management of relations with the Group's personnel, Licensees, Sourcing Centers and suppliers, in accordance with the principles and values cited in the Ethics Code and Ethics Code of Conduct for Sourcing Centers. For further details on this matter, reference should be made to the sections “The promotion of the economic development of BasicNet's partners”, “The supply chain” and “Diversity and equal opportunities” of this Report and to the section “Legislative Decree No. 231/2001 Organization Model” of the Corporate Governance and Ownership Structure Report. The main measures adopted by the Group to prevent bribery and corruption are described in the section “Conflicts of interest and prevention of bribery and corruption” of the Directors’ Report. The main risks relating to sustainability issues that have been identified – having to do with management of the network of licensees and associated with the production of the Group's products – are described in further detail in the Directors’ Report in the “Main risks and uncertainties” section. The main warranty and innovation actions are outlined in the “Research and Development” section of the Directors’ Report.

The purpose of the Report is to give an account of the Group's values, major initiatives and sustainability performance in 2020 that is consistent with its organizational structure (reporting period from January 1 to December 31, 2020). The 2019 Non-Financial Report was published on March 4, 2020 and thereafter published.

As permitted by the options provided for in Article 5 of Legislative Decree No. 254/2016, the Non-Financial Report has been integrated into the Directors’ Report. While ensuring an understanding of the Group's activity, performance, results and impact, some of the content of the Report that is expressly required by Legislative Decree No. 254/2016 is included in other sections of the Directors’ Report (“Main risks and uncertainties”, “The Group and its activity” and “Research and development”, “Board of Directors” and “Legislative Decree No. 231/2001 Organization Model”). It should also be noted that, following internal assessments, the risks connected with climate change are to be considered as insignificant due to the particular nature of the Group's business model.

The Non-Financial Report has been prepared in accordance with the GRI Sustainability Reporting Standards published by the Global Reporting Initiative (GRI), according to the “core” option. An appendix to the Report includes a table of the GRI indicators covered as orientation for the reader.

In drafting the Non-Financial Report, reference was also made to the European Commission's *Guidelines on non-financial reporting* (published in the Official Journal of the European Union on July 5, 2017).

The contents and indicators subject to reporting were selected on the basis of the materiality analysis conducted in 2020 and presented in the Report, which permitted the identification of the aspects material to the Group and that could substantially influence stakeholders' assessments and decisions, in light of the topics cited in Legislative Decree No. 254/2016. The materiality analysis was in line with that reported in 2019.

In particular, the process of determining the content of the Report is based on the principles of materiality, stakeholder inclusion, completeness of information and the Group's operating context. With regard to the quality of the information reported, the principles of balance, accuracy, verifiability and comparability were observed.

It should be noted that there have been no changes in the scope of consolidation during the period under review.

The financial reporting scope is the same as for the BasicNet Group's 2020 Consolidated Financial Statements. The scope of the financial, social and environmental information included extends to the companies included in the BasicNet Group at December 31, 2020 and consolidated line-by-line in the Group's Consolidated Financial Statements. However, it should be noted that, while it does ensure a proper understanding of the company's activity, the scope of environmental reporting, especially as regards energy consumption and greenhouse gas emissions, does include the company BasicAir S.r.l., which owns a used Cessna Citation aircraft. This aircraft's consumption was taken into consideration from January 1, 2020 onwards as it only entered into operation in September 2019, towards the end of financial year.

These and any other minor limitations have been disclosed as appropriate in accordance with the reporting standard adopted.

Unless otherwise indicated, the figures and information presented in the Report refer to financial year 2020. This information has been provided with a comparison to 2019 to permit an assessment of the performance of the activities where possible. In the interest of full understanding, an account has also been given of measures taken in previous years that still apply to the Group's activities.

In the interest of a proper account of performance, and in order to ensure that the figures are reliable, the use of estimates has been kept to a minimum and any estimates presented have been based on the best available methods, as appropriately disclosed.

The Non-Financial Report will be published annually.

The Non-Financial Report is also available on BasicNet's website, [www.basicnet.com](http://www.basicnet.com). For further information, please contact the e-mail address: [affari.societari@basic.net](mailto:affari.societari@basic.net).

This Report was approved by the Board of Directors of BasicNet S.p.A. on March 2, 2021, along with the Annual Financial Report.

The independent auditors EY S.p.A. performed a limited review ("limited assurance engagement") according to the criteria indicated in standard ISAE 3000 Revised) on the compliance of this Report in a specific report that certifies the compliance of the information provided with Article 3, par. 10, of Legislative Decree No. 254/2016.

## 1. Our commitment to the fight against COVID-19

As noted, since January 2020, the domestic and international picture has been dominated by the gradual spread of COVID-19 and the resulting restrictive containment measures implemented by the governments of the countries affected. BasicNet has responded promptly to the global economic and health crisis caused by COVID-19, respecting the regulations in place in the countries in which it operates. In order to protect its employees, suppliers, customers and stakeholders, the Group has promptly adopted preventive measures aimed at ensuring and managing employee health and safety in the best possible way, in addition to the well-being of its employees, and the maintenance of relations with its business partners. Against this backdrop, BasicNet established a “Crisis unit” in February to handle the COVID-19 emergency, through which measures to protect the health and safety of employees and operational continuity were introduced. At the same time, a workplace safety protocol was agreed with the Trade Union representatives with a view to the workforce’s gradual return. Remote working and communication tools for meetings with customers, suppliers and external staff were also encouraged and supported.

Further information on the management of employees, suppliers and customers in relation to COVID-19 can be found in the relevant chapters.

## 2. Sustainability for BasicNet

### 2.1 Stakeholders and materiality analysis

In its operations, BasicNet has always sought to create value for its shareholders and, more generally, all those who have a stake in the Group's business. Accordingly, as part of its pursuit of sustainability, in 2020 BasicNet updated the mapping of its main stakeholders, by conducting a thorough analysis of its business and with the participation of Group management. The goal was to identify the main groups that may be influenced by BasicNet's business, including with regard to the type of relationship with the Group in terms of dependence and influence. This mapping process – which resulted in the identification of nine main groups of stakeholders – was carried out in accordance with the international principles established by AA1000 Stakeholder Engagement Standard, AccountAbility (2015), and the GRI Sustainability Reporting Standards, 2016.

The main stakeholders include groups directly linked to business activities, such as *Group Resources, Investors, Shareholders and the Financial Community, the Public Sector, Governmental and Control Bodies and the Local Communities* in which the Group operates. Due to the specific nature of BasicNet's business system, Sourcing Centers and Licensees play a significant role. Both are commercial partners to the Group and belong to the broader category of clients and consumers (together with the stores involved in retail activities) and suppliers (a category which includes the Group's non-core suppliers of goods and services and Sourcing Centers, the core suppliers of the subsidiary and wholly-owned licensee BasicItalia S.p.A.). In addition, the wholly-owned franchisee of the subsidiary BasicRetail S.r.l. is also highly important to the Group's business in Italy.

To ensure effective, uniform pursuit of its goals that makes the most of the roles and potential of its stakeholders, the Group participates in various trade associations (such as Federazione Manageritalia, the Turin chapter of ASCOM - Confcommercio and the Turin Industrial Union), in addition to promoting initiatives aimed at securing the internal involvement of its personnel (e.g., the initiative BasicPress.com, the Group's online press agency through which all resources are periodically informed of new developments and initiatives relating to the Group, along with the various social and athletic activities that are promoted at the Basic Village each year).

*List of the BasicNet Group's stakeholders*

With the aim of identifying the economic, environmental and social topics relevant to the Group and its stakeholders (“material” topics), in 2020 the BasicNet Group promoted the internal involvement of the top management by conducting a materiality analysis – a key process to the preparation of the Non-Financial Report. This analysis identified the material topics to be reported in this document, assessing them according to the principles set out in the GRI Standards: materiality, stakeholder inclusion, completeness of information and the Group's operating context.

Given the continuity of Group business, the materiality analysis was in line with that reported in 2019 and was consistent with the indications of the reporting standard and macro sector trends. The analysis resulted in the identification of 15 material topics, divided into five general categories (*Governance and Compliance, Economic Responsibility, Responsibility in the Value Chain, Social Responsibility and Environmental Responsibility*), for each of which the main stakeholders with the greatest involvement were identified. This overview represents a fundamental tool for the Group to set its priorities with regard to sustainability and to steer the actions to be pursued in this area.

*List of the BasicNet Group's material topics and stakeholders involved*

Category	Material aspect	Stakeholders involved
Governance and Compliance	Ethics and Compliance	Suppliers; Sourcing Centers; Licensees; Public Sector, government and control bodies
	Anti-corruption	Investors, Shareholders and the financial community; Suppliers; Sourcing Centers; Licensees; Public Sector; government and control bodies
Economic responsibility	Promotion of economic development	Sourcing Centers; Licensees; Franchisees; local communities
Responsibility in the value chain	R&D and Innovation	Sourcing Centers; Licensees; Customers and consumers
	Procurement practices	Suppliers; Sourcing Centers
	Data Security and Protection	Sourcing Centers; Licensees
	Prevention of Counterfeiting	Sourcing Centers; Licensees; Customers and consumers; Franchisees
	Customer Relations	Customers and consumers; Franchisees
Social responsibility	Management and development of human resources	Group Resources; Franchisees
	Diversity and equal opportunities	Group Resources; Franchisees
	Worker Well-being	Group Resources; Franchisees
	Employee Health and Safety	Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees
	Human Rights	Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees
Environmental Responsibility	Efficient Use of Natural Resources	Public Sector, government and control bodies
	Environmental protection	Public Sector, government and control bodies; local communities

## 2.2 Promoting the economic development of BasicNet's partners

By analysing materiality, BasicNet discovered that its business model consists in offering business opportunities to a worldwide network of independent companies that do business with the Group, namely its manufacturing licensees (sourcing centers) and its commercial licensees (licensees). Accordingly, BasicNet is aware that the Group's economic growth is closely linked to the economic development of its licensees, and that this link represents an initial important factor of sustainability that is inherent to the nature of the Group's business.

Sourcing Centers are third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.

The BasicNet Group through a market place, uses a computerised platform, fully integrated into the network, that connects manufacturing licensees directly to commercial licensees, and offers licensees a coordination service that links supply to demand. Each licensee can choose at its discretion to which sourcing center it will issue its purchase order, in response to quotes issued by sourcing centres and published on the system. The platform permits the monitoring and aggregating of all transactions between Sourcing Centers and Licensees in order to benefit from economies of scale.

Selection and monitoring of sourcing centres is outsourced to a team of people specialised in manufacturing processes whose task is to select the sources of supply to be contracted and handle the flow of information generated by the relationship between them and the licensees. The relationship with sourcing centres is governed by the "Sourcing Agreement", signed by the parties after identifying the most suitable sourcing centre and after performing a pre-contract analysis intended to assess its potential by gathering various kinds of information (company profile, business registration certificate, memorandum and articles of association, audited accounts). The manufacturers to which we outsource

production are experienced specialists in their respective industries. They only devote part of their production capacity to the BasicNet sales network.

Sourcing agreements govern relations between the parties by setting forth the rules of conduct that the sourcing centre must observe concerning production, intellectual property, use of trademarks, their remuneration -- called a "sourcing commission" -- and reporting methods.

Sourcing agreements include clauses relating to social compliance, since the BasicNet Group adheres to, and encourages its commercial counterparts to comply with, the highest international ethical standards and practices of the business world. To make sure that these principles are effectively circulated, sourcing centres must read and sign the Ethics Code, Code of Conduct and the Forbidden Chemical Agreement. The Code of Conduct is based on the basic conventions of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights. It requires sourcing centres to comply with all applicable laws and regulations relating to respect for the individual and for human rights (the main ones concern child labour, involuntary labour and discrimination), as well as to health, safety and the environment. Sourcing centres must establish procedures - and actually execute them - for reporting to the local authorities any accidents caused by acts or omissions of the sourcing centres themselves. Sourcing centres must also comply with applicable laws and regulations regarding the manufacture and importation of products, and must commit to complying with the REACH Regulation (EC No. 1907/2006).

The assessment process was conducted on all the new Sourcing Centers as usual in 2020, limiting physical visits in some cases due to pandemic restrictions, while requiring the same level of documentation.

As anticipated last year, BasicNet launched the INLIGHT project to improve its social responsibility, with initial actions taken by means of a Sourcing Agreement.

BasicNet intends to instil, in every one of the operators with which it collaborates, the values and principles of an operating model that encourages sustainable development from economic, environmental and social standpoints.

The project seeks to audit the supply chain and objectively assess our production partners in order to reduce risks related to the social arena.

This intention has led to the creation of an action plan that includes evaluation of supplier strategy and sustainability performance by a third party Independent Body.

Evaluation of supplier sustainability performance will be formalised in a Desktop Audit program supported by a third party agency. This will consider international indicators, which will be given a specific and determined weighting and will be used to calculate the Intrinsic Risk (IR) for each individual supplier. These indicators are:

- World Bank Governance Indicator
- United Nations Human Development Index
- Corruption perception index
- U.S. State Department report on human trafficking

The project, which involves direct contact with each manufacturing unit around the world, suffered some delays due to the ongoing COVID-19 pandemic.

All units have been contacted and notified, and 43 production units had completed the questionnaire by the end of 2020.

**Kappa®**, **Robe di Kappa®**, **Superga®**, **K-Way®** and **Sebago®** are also partners of Green Pea, the first retail park dedicated to conscious consumption, opened on Wednesday December 9, in the Lingotto area of Turin. Kappa® and Robe di Kappa® have been working to innovate the design and quality of their collections and to find sustainable products and materials for over half a century. K-Way® has created a dedicated collection for Green Pea and opts to use eco-friendly processes and materials. Superga® launched the world's first sneaker made from 100% natural materials (the 2.750), and continues to perfect the art of simplicity, Sebago® on the other hand, offers resoling, fatliquoring, lace-change and cleaning services to Green Pea customers. Because a conscious purchase is one that stands the test of time.



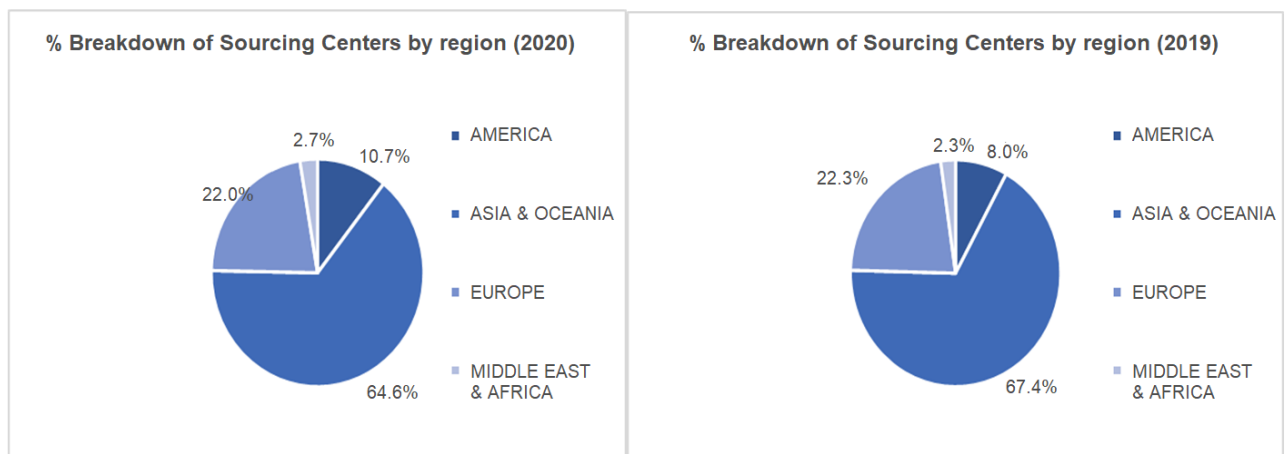
**Superga®** hopes to emphasise its concern for the animal world with a certified vegan Superga shoe. The term “vegan” means that no animal products are used in any of the shoe’s components, and no animal testing is conducted on any of the materials used to make the Superga Classic Vegan 2750-Cotu. Producers are required to honour this intention, and a third party has been authorised to verify and certify compliance.

In addition, we are working on an agreement relating to the use of **organic cotton** in order to raise awareness among suppliers.

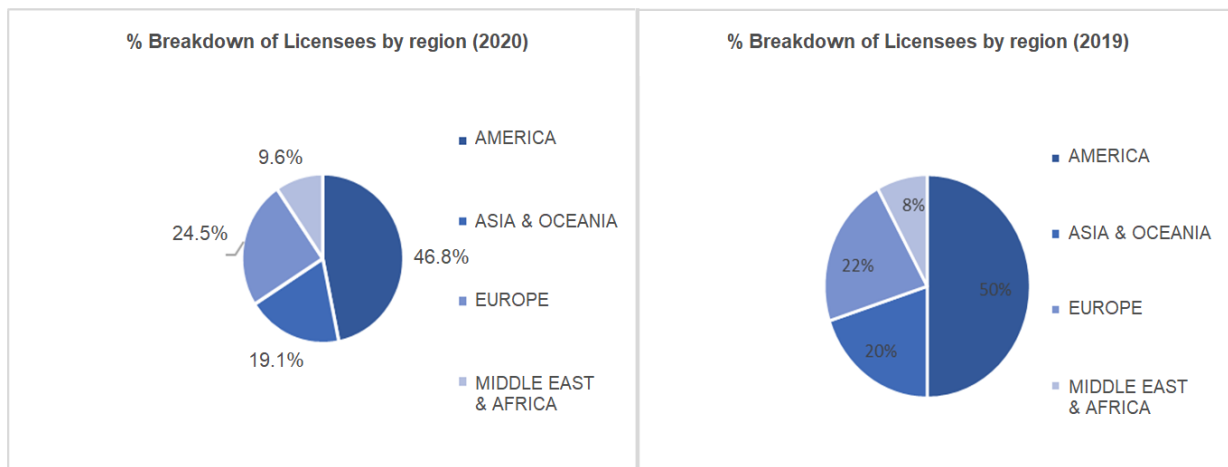
Certified organic cotton is produced in line with specific organic agricultural standards in Italy and abroad, integrating eco-friendly processes, protecting local biodiversity, and avoiding the use of toxic and persistent synthetic pesticides and fertilisers, as well as genetically modified seeds. Independent certification agencies accredited by organisations carrying out strict checks on certifiers are responsible for certifying organic cotton to country-specific standards. In order to maintain certification from the processing stage through to the final product, organic cotton must be kept separate from non-certified cotton and be traceable by the company along the entire supply and production chain.

In 2020, the Group was supplied by a total of 150 sourcing centres (or 143, since some have operating units in more than one country), compared to 175 (165) in 2019. Their facilities are located all over the world.

The volume consolidation process has been implemented at a smaller number of sourcing centres, and an effort has been made to better balance the various geographical areas, while respecting the search for the best option for all partners involved in the purchasing process.



A total of 94 licensees were involved in 2020, 8 less than in 2019. This change is owed to the restructuring of the distribution network, which led to the maintenance of 86 existing contracts and the signing of 8 new ones.



In addition to the group's licensee business, the Group also wishes to contribute to the economic well-being and growth of the communities in which it operates by providing effective high-tech services. As required by its Ethics Code, the relations that the Group maintains with local and national governments, as well as with supranational agencies, are based on full and effective cooperation, transparency and reciprocal respect for the counterparty's autonomy and for its economic goals. BasicNet puts these principles into practice by supporting social, cultural and educational activities. It also sponsors popular sports teams. There is an in-house team devoted to sponsoring, which handles all stages of sponsoring, from designing product quality and image, through selection of sources of supply of goods, to delivering them to the teams and managing participation in sports events.

### 2.3 BasicNet's approach to taxation

The decisions made by the Group with regard to its business operations and activities are guided by the company's trade and industrial objectives and as such, tax considerations are relevant to the achievement of these objectives.

However, the Group is aware that these cash flows have an important impact on collective well-being and therefore ensures compliance with the regulations put in place by the individual tax jurisdictions in which it operates with regard to the payment of taxes and duties, adopting a behavioural model that is consistent with the principles of clarity, transparency, and fairness. These principles are governed by the consolidated act on income taxes, and aim to minimise risk while guaranteeing national and international regulatory compliance.

The BasicNet Group elects the Parent Company's Board of Directors as the competent governing body to examine and approve the Group's financial and tax projections.

The Parent Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. A standard procedure exists at a Group level, in addition to a strict risk management process, where internal control concerns the 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.



Furthermore, in continuity with the agreement stipulated for the 2015-2019 period, an application was presented to renew the "Patent Box" agreement in 2020, which allows the company to access a benefit on taxable income for the five-year period from 2020 to 2024, pursuant to the procedures defined by the reference standard, with regards to industrial patents, legally protectable designs and models, and the use of software protected by copyright, as defined in Article 56 of Legs. Decree 50/2017.

Additional information on the management of Tax Governance and the management of tax concerns, can be found in the "Risks relating to legal and tax disputes" section of the "Principal Risks and Uncertainties" chapter in the Directors' Report.

### 3. Responsibility in the Value Chain

#### 3.1 The supply chain

The Group distinguishes between its dealings with regular suppliers of goods and services ("non-core" suppliers) on the one hand, and its dealings with sourcing centres and licensees on the other, which are the Group's true commercial counterparts. As can be seen from a mapping of the Group's stakeholders, BasicNet's Business System distinguishes between its dealings with Licensees - which includes commercial partners as well as the Group's Customers and Consumers - and its sourcing centres, as these were core suppliers of the subsidiary BasicItalia S.p.A. in 2018, and both BasicItalia S.p.A. and Kappa Europe Group in 2020.

##### "Core" suppliers

BasicItalia S.p.A. and Kappa Europe Group, a proprietary licensee that is a 100%-owned subsidiary, are structured in all respects as commercial licensees for the use and development of intellectual property rights and merchandise bearing all BasicNet trademarks. They purchase from Sourcing Centres and distribute finished goods throughout the area assigned to them. Accordingly, since there is no in-house production, the group's only core suppliers are the sourcing centres that supply products to the Group's subsidiary BasicItalia SpA. and to the Kappa Europe Group.

BasicItalia SpA and Kappa Europe Group buys goods on a marketplace generated by tenders from sourcing centres selected by BasicNet depending on the technical requirements for satisfying the Group's needs in terms of quality, volumes and production times, as well as on the manufacturer's financial soundness. Repeated on-site inspections are made to assess the consistency of these variables over time.

In this regard, a company called BasicNet Asia was formed with the task, among others, of handling relations with regional sourcing centres, so as to monitor their operations in order to ensure steady turnover of suppliers, and also to counter market power.

The company BasicNet Asia - Vietnam was established with this same purpose, and with the further intention of growing business in an area that is quickly expanding and won't be subject to import duties in the short term.

Sourcing contracts are based on a standard that arose over the years and was prepared by specialised outside lawyers. If individual contracts require exceptions, amendments or riders as a result of contractual agreements or to comply with local laws, these provisions are analysed beforehand by international lawyers or lawyers specialised in the licensee's territory.

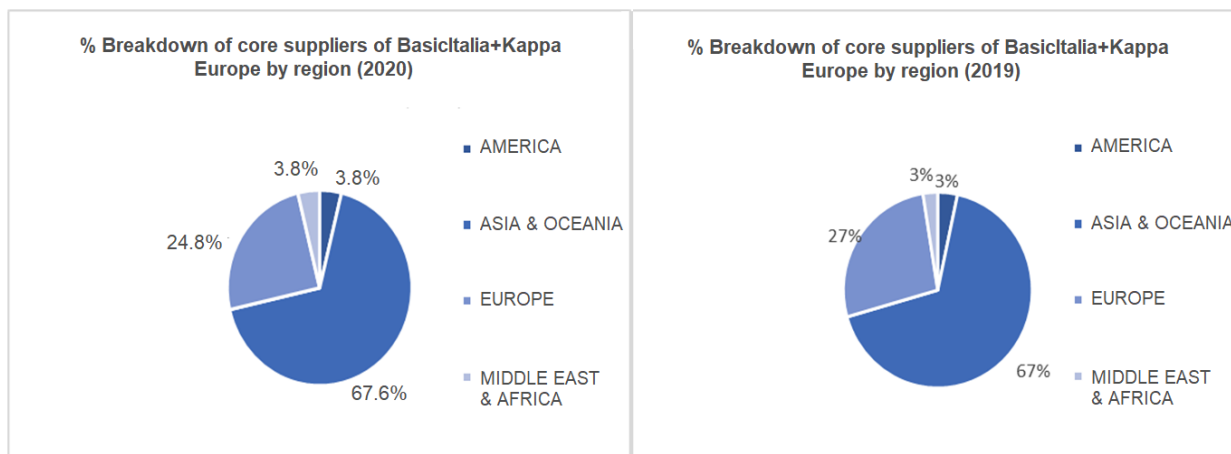
Anti-trust requirements are fulfilled by means of monitoring/control procedures and rules that require that strategic products be produced by at least two or three sourcing centres, where possible, in different regions. Moreover, after five years orders are switched to a new sourcing centre, and we make sure that no factory devotes more than half of its productive capacity to our Group's brand-name products. If these guidelines are not followed, a sourcing centre can be suspended temporarily, depending on each specific case.

Every sourcing centre that joins the Group's network, regardless of whether it is one of BasicNet's Customers and consumers or a core supplier of BasicItalia SpA and of the Kappa Europe Group, must read and sign the Ethics Code and Code of Conduct, which are based on the fundamental conventions of

the International Labour Organisation (ILO), the Universal Declaration of Human Rights and the Forbidden Chemical Agreement.

As in 2019, in 2020 almost all sourcing centres supplying BasicItalia S.p.A. and of Kappa Europe Group S.p.A. are located in either Asia or Europe.

The 100% acquisition of Kappa Europe Group has not resulted in significant changes in the number of core suppliers, since the previously 60%-owned company was already a licensee of the BasicNet Group companies, and therefore used the same sourcing centres as BasicNet.



### Suppliers of goods and services

Within the Group, goods and services are procured according to internal procedures that specify general principles for managing the supply chain responsibly and provide for the efficient planning and managing of purchases. In this regard, there is a division of roles within the Group, so that each “.com” (i.e. individual business unit) is assigned a specific role within the Group. One of the dotcoms sets requirements, another handles selection, another certification, another procurement of suppliers, while another certifies fulfilment or receipt of goods and payment. Purchasing office supplies (stationery, consumables, forms, etc.) that are considered “non-core” and purchasing services (assistance services, rentals, subscriptions, consultancy and others, etc.) are all handled through the company's online platform from the time of the request to obtaining approvals and billing.

Remuneration and amounts of any type paid to suppliers and consultants for supplies and professional appointments should be in line with market conditions and adequately documented. Corruption, unlawful favours, collusive conduct, the soliciting of advantages, the payment of material and immaterial benefits, in addition to other advantages for the purposes of influencing business agreements are prohibited and prosecuted. Gratuities of minor value considered as normal business practice are however permitted. Any conflicts of interest in choosing suppliers should be promptly reported to superiors.

The selection of suppliers of non-codified goods is handled by the relative “.com”. The purchase order is automatically sent for approval respectively by the direct superior and to the CFO or the CEO, depending on the order amount.

Suppliers and outside consultants are chosen on the basis of competence, professionalism, cost, correctness and transparency criteria. Suppliers should ensure compliance with law and applicable labour market practice in its country of residence, in addition to compliance with the Ethics Code and the Ethics Code of Conduct for Sourcing Centers.

BasicNet, when it allocates employees, services and supplies to contractors, is responsible for providing these parties with information on the specific risks present in the workplace where they are going to work, as well as for providing information on the applicable preventative and emergency measures related to their work in compliance with the provisions of Art. 26 of Legislative Decree 81/2008. If outside suppliers are working continually on BasicNet's premises, BasicNet fills out the Uniform Risk Assessment Document (DUVRI), which is a single standard form, and evaluates the risk of interference

among the contractors. Every supplier of labour and services must be approved beforehand by BasicNet after a professional and technical review pursuant to Legislative Decree 81/2008. In 2020, the Basic Group updated its DUVRI to include risks associated with Covid-19. The updated document was subsequently filled out by contractors and suppliers.

Whenever BasicNet places an order with a contractor, it evaluates the contractor on the basis of the following documents:

- Certificate of fulfilment of tax obligations (DURC);
- Certificate from the Chamber of Commerce;
- Sworn statement of professional competence pursuant to section 38, on the basis of section 26 Legislative Decree 81/2008;
- List of the names of contractor's employees who will work on our premises, with a brief CV and the name of each worker's superior at the workplace;
- The contractor must undertake to comply with the BasicNet Group's Code of Ethics.

In 2020 the Group had around 2140 suppliers for purchases not strictly related to core operations, down from 2,400 in 2019. Of these, approximately 65% were of Italian origin, as was the case in the previous year.

The main merchandise categories among the Group's suppliers are: consumables, costs for events and sponsorships and software development.

### **3.2 Data protection**

The Group protects the secrecy and confidentiality of any information relating to human resources, contractors and third parties that it may gather on account of their work or while they are performing it. Such protection is afforded by following IT procedures that govern the operation of information systems, and IT security procedures.

The privacy and information processing policies are set forth in the Ethics Code. They specify that people subject to the Code are barred from using any information about the company, or any documents, reports, drawings or other material that is not public for purposes unrelated to the performance of their duties.

Those who in the execution of their duties become aware of "inside information" or confidential information, as established by the applicable regulation, are held to maintain its confidentiality. With regards to that stated above, the external communication of confidential information should exclusively be made by authorised persons in accordance with Group procedures and - in any case - in compliance with applicable provisions and the principles of equal and concurrent information.

Addressees of the Ethics Code, in compliance with the "market abuse" regulations, should not utilise inside information to gain advantage of any type, whether directly or indirectly, immediate or future and whether personal or property related.

The Group formally appointed the Information Security Officer (ISR) in 2019 for the Italian companies, and entrusted the management of information security-related activities to the employees of ".com" BasicSystem.

In order to ensure rigorous protection of company IT systems for Group companies located in Italy, the perimeter of the company network is protected by a sandwich of two firewalls that mitigate the risk of unauthorised access and tampering; remote access is assured by authorised VPN connections that are managed by the double firewall. Internal network protection also makes use of a new CyberIA Darktrace platform that can identify and report potential intrusions or variations with respect to the normal daily operations carried out on the corporate network.

Perimeter protection of the IT infrastructure is outsourced to a certified outside body, a SOC (Security Operation Centre) that conducts 24/7 monitoring of the entire network. A new policy has been introduced to protect user passwords and access to applications using multi-factor authentication.

In addition, BasicNet has adopted an IT security protocol according to which all electronic records (i.e. work files) used in conducting company business are stored in suitable separate-access network folders. For each network folder a worldwide protection group has been designated to which each user is assigned. “.tcom” managers send to BasicSystem any requests for changes, inclusion or reassignment to a different group.

The Group has an official backup protocol for data on the company servers used to reboot and recover systems and network resources when breakdowns occur. Data are backed up every day, week and month. A duplicate of the data is stored in a safe close to the server facility.

In order to make users aware of the data security issue, newly hired staff must sign a copy of company security rules and receive online training on mandatory IT procedures. Furthermore, instruction videos are available on the company intranet that explain how to handle computers and software.

For the Kappa Europe Group, which came under the scope of consolidation in 2020, an information system evaluation was carried out, and the necessary steps are underway to bring its policy in line with that of the Basic Group.

### **Compliance with the European General Data Protection Regulation (hereinafter “GDPR”) and with applicable reference legislation**

With the entry into force of Regulation (EC) 2016/679 of the European Parliament and of the Council of April 27, 2016 on the protection of natural persons with regard to the processing of personal data and on the free movement of such data, and repealing Directive 95/46/EC (General Data Protection Regulation), a need arose to implement within the Group’s companies a data protection management arrangement with its own operating procedures and instructions, based on a proper risk assessment process for assessing threats to privacy.

Among the principal regulations introduced was the concept of “data protection by design”, which proposes the principle of incorporating privacy protection starting at the design stage of a business process. A parallel concept is that of “data protection by default” which consists in making technical and organisational changes to ensure that only those personal data are processed that are needed for each specific purpose of the processing.

The Privacy Management System implemented during 2018 mainly covered the “Processing Registers”, the main privacy procedures, the “Privacy Management Manual”, the “privacy disclosures” for interested parties, and the instruments of appointment for parties involved in any way in company data processing (including, for example, instruments of appointment for external officers and authorised personnel). This was to comply with new legislation on the protection of personal data. The DPO (Data Protection Officer) was also appointed for the companies BasicNet, BasicItalia and BasicRetail, as per the Regulation. In 2020, as part of the procedures set out in the integrated control system, checks were carried out on the correct application of the procedures, on the compliance measures undertaken to adhere to the GDPR and applicable reference legislation, on the requests received by the Group from interested parties, and on the number of violations reported (updated for 2020, in which no violations were reported). As regards the Kappa Europe Group, an assessment is currently underway to examine the privacy management system in place in the Group. This aims to identify - and, where necessary, plan - any changes required to bring this system in line with the system adopted by the Basic Group (fully in line with the reference privacy regulations).

### 3.3 Consumer protection

The BasicNet Group constantly strives to comply with all consumer protection laws and regulations by paying close attention to its products, by combating counterfeiting, and by means of customer care, through privacy protection, return policies and customer loyalty.

#### **BasicTrademark combats counterfeiting**

BasicNet is in charge of all efforts to combat counterfeiting. It therefore constantly monitors the market. Reports of counterfeiting come indirectly from the local police, the treasury police and customs, but also directly from Italian and overseas customers and from the Group's network of licensees and their lawyers, who can get in touch with the Group on the "hunt the fake" tab on the BasicTrademark.com website and on the online sales websites. There are links for reporting counterfeit products on all the Group's e-commerce websites.

Each such report is processed individually by analysing samples and available information and then preparing expert opinions. In the event that preliminary investigations are needed in order to seize goods, BasicNet coordinates and manages these tasks, in addition to arranging for the removal or deletion and reassignment of illegal websites.

Monitoring and enforcement are supported by outside agencies responsible for this task, especially with respect to online counterfeiting.

#### **BasicLabel labelling**

Each product developed and marketed by BasicNet bears a label containing all information required by the various applicable Italian and overseas laws, and in particular by the Consumer Code (Legislative Decree 206/2005 and EU Regulation 1007/2011) that lists textile fibre names and governs the labelling and marking of the fibre components of textile products – in addition to the requirements that domestic law now imposes on each licensee. In addition, each label bears the order number entered by the licensee that, together with the other information on the label, allows BasicNet to check whether the merchandise is genuine and matches the goods on the market.

The BasicLabel project was created so as to reassure the end customer that the product they purchased is genuine and can be properly traced. The project involves providing a QR code and a unique serial number for each product, allowing consumers to access information about the product they have purchased by scanning its QR code or entering its serial number on the website [www.basiclabels.net](http://www.basiclabels.net).

The BasicLabel project operates entirely online. Starting from the information of the items in BasicSamples and BasicSpecs (which are in charge, respectively, of determining and selling sample collections and of setting technical specifications), when acceptance of an order is confirmed through BasicFactory (the online order management platform for sourcing centres), the BasicLabels manufacturer automatically receives an order for as many labels as items have been ordered (plus buffer amounts), thus assuring tight control over the number of items manufactured.

The project was introduced for all products branded K-Way and Robe di Kappa, for Sebago and Briko apparel, and for the iconic products of the other brands (in 2019, around 16% of products in the main goods categories had a unique label, compared to 27% in 2020).

As expected, in 2020 almost all Superga products carried the label, as did Briko Bike and Ski helmets, and Kappa products for the main BasicItalia and Kappa Europe Group teams.

At the same time, the BasicLabels RFID (Radio Frequency Identification) project was launched, which uses technology capable of autonomously storing data on electronic labels.

An initial test order has already been made on ITALTRADE's SMU RED LABEL collections in the Q3Q4 2020 season.

The same process is currently being carried out on Q1Q2 2021 productions.

For the Q3Q4 2021 season, we will extend use to all GMU collections and to the SMU GARA collections of BI and KAPPA EUROPE developed by BN.

As regards Group product packaging, materials must be recyclable and comply with all applicable regulations.

BasicNet continued to assess the possibility of using pre-recycled/recyclable materials for pendants and boxes at its main sourcing centres, in line with the relative certifications.

#### 4. Social Responsibility

##### 4.1 BasicNet Group human resources

The Group recognises the central importance of human resources, in the firm belief that the principal factor determining the success of the business is the individual acting in a spirit of fairness and reciprocal trust. Accordingly, as stated in the Ethics Code, the Group undertakes to protect and develop its employees.

At December 31, 2020, the Group's workforce consisted of 792 employees, of which 74.49% worked in Italy. Most workers have full-time contracts. (685 of which 275 men and 410 women) while 107 workers are part-time, of which 90.65% are women. Most of the workers on part-time contracts are in retail sales as it is a seasonal business and many sales outlets are still start-ups. In addition, the Group sometimes hires temporary workers.

Workers by type of contract (No.)*	2020			2019		
	Men	Women	Total	Men	Women	Total
Italy	188	402	590	209	405	614
Permanent	144	311	455	148	313	461
Fixed-term	44	91	135	61	92	153
Overseas	97	105	202	92	109	201
Permanent	72	74	146	72	74	146
Fixed-term	25	31	56	20	35	55
<b>Total</b>	<b>285</b>	<b>507</b>	<b>792</b>	<b>301</b>	<b>514</b>	<b>815</b>
of which:						
Full-time	275	410	685	282	416	698
Part-time	10	97	107	19	98	117

\* Data on the total number of employees reflect only the headcount (non-FTE) of in-house staff at December 31, 2020

In 2020, the Group made use of the Extended Lay-Off Scheme (CIGD), and recorded the following reduction in working hours:

	Employees involved	Total CIGD	Total workable hours	Cash% on workable hours
BasicNet	184	75,386	444,567	17%
BasicItalia:	135	50,475	318,195	16%
BasicRetail:	385	82,826	420,096	20%
<b>Total</b>	<b>704</b>	<b>208,747</b>	<b>1,182,858</b>	<b>18%</b>



In 2020, 188 new employees were hired (63 men and 125 women), a decrease compared to the previous year due to the CIGD scheme. Outgoing staff, most of them from retail, numbered 211 people, which yielded a staff turnover rate of 26.64%.

Hiring rate and staff turnover	2020				2019			
	Hires (no.)	Departures (no.)	Rate of Entry*	Turnover**	Hires (no.)	Departures (no.)	Rate of entry	Turnover
<b>Gender</b>								
Men	63	79	33.51%	42.02%	199	99	66.1%	32.9%
Women	125	132	31.09%	32.84%	255	136	49.6%	26.5%
<b>Age group</b>								
Less than 30	151	150	72.4%	74.7%	259	135	96.3%	50.2%
Between 30 and 50	33	51	8.7%	12.4%	164	88	37.7%	20.2%
Over 50	4	10	1.1%	7.7%	31	12	27.9%	10.8%
<b>Region</b>								
Italy	151	175	25.59%	29.66%	223	188	36.3%	30.6%
Overseas	37	36	18.32%	17.82%	231	47	114.9%	23.4%
<b>Total</b>	<b>188</b>	<b>211</b>	<b>23.74%</b>	<b>26.64%</b>	<b>454</b>	<b>235</b>	<b>55.7%</b>	<b>28.8%</b>

\* Ratio between the number of hires by category and the total number of employees by category at December 31

\*\* Ratio between the number of departures by category and the total number of employees by category at December 31

A “.com” called BasicGuys handles personnel management for all Group companies, including the following aspects:

- workforce planning, which involves making sure that enough workers are available and that they are suitably qualified;
- managing staff relations from hiring to conclusion of employment, ensuring compliance with the labour laws and laws governing social security and taxation. In addition, it plans schedules and monitors labour costs and ensures accurate and timely payment of wages and salaries and of the pertinent contributions and taxes;
- handling relations with trade union officials, employers’ associations and social security agencies;
- through 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.

In terms of recruiting procedures, the Group always hires new staff depending on the “.coms” during preparation of the budget. However, reassignment of existing staff members is preferred to the recruitment of new staff. In general, the recruitment channels used are the following:

- searches among the Group's employees for the profiles requested;
- applications received through BasicNet's official website (section BasicGuys jobs);
- agreements with universities (limited to internships).

The selection procedure is handled with BasicGuys software, which can be accessed by the Staff of a “.com” called BasicGuys and by the managers of all “.coms”, and which ensures that the selection process is traceable. To ease insertion of staff, BasicNet constantly organises a large variety of training programmes. In the two years 2019 and 2020, 6.85% of students who did their internship at the Group’s facilities were later hired as employees.



## 4.2 Diversity and equal opportunities

In accordance with its Ethics Code, the Group considers it essential to handle labour relations in a way that assures equality of opportunities and encourages everyone's professional development.

The company's success in attaining these goals is evident from its employment figures: at December 31, 2020, the total Group workforce was 35.98% male and 64% female, demonstrating the strong female presence at the Group. 55.44% of the total workforce are between the ages of 30 and 50, 15.27% are over the age of 50 and 29.29% are under the age of 30.

Staff by diversity trait	2020			2019		
	Executives	White-collar	Blue-collar	Executives	White-collar	Blue-collar
<b>Gender</b>						
Male	69.74%	32.01%	45.00%	70.51%	32.68%	57.14%
Female	30.26%	67.99%	55.00%	29.49%	67.32%	42.86%
<b>Age group</b>						
Less than 30	5%	32%	25%	4%	36%	19%
Between 30 and 50	58%	55%	55%	61%	53%	48%
Over 50	37%	13%	20%	35%	11%	33%
<b>Total</b>	<b>10%</b>	<b>88%</b>	<b>3%</b>	<b>10%</b>	<b>88%</b>	<b>3%</b>

Just as it does every year, the Group renews its commitment to its ethical values of social responsibility by hiring 20 people belonging to the so-called protected categories (13 women and 7 men).

Staff belonging to protected categories (No.)	2020		2019	
	Male	Female	Male	Female
<b>Classification</b>				
Executives	1	3	-	-
White-collar	5	8	13	5
Blue-collar	1	2	1	3
<b>Total</b>	<b>7</b>	<b>13</b>	<b>14</b>	<b>8</b>

Also with respect to involving the Group's licensees in its business, the Ethics Code of Conduct for sourcing centres demands that they select their employees solely on the basis of their ability to perform their duties. Sourcing centres are barred from discriminating by age, gender, motherhood, marital status, citizenship, cultural and religious attributes or any other discriminatory criteria in hiring, setting compensation, dismissal or provision for old age.

## 4.3 Training and development of human capital

As required by the Ethics Code, the Group has always been committed to the professional growth of its workers. Thus it has adopted over the years a human resources management policy designed to develop human capital and has assigned a strategic role to occupational training of its workers in this regard. In accordance with this policy, a ".com" called BasicEducation is in charge of planning, organising and reporting on the training of Group employees and promoting the development of human resources.

Training begins immediately upon hiring. Training begins on the very day new employees are hired, when they are handed an information sheet with the Code's rules on personal data privacy (Legislative Decree no. 196 of 30/6/2003), the Group's Ethics and Conduct Code, an information brochure on health and safety, and a statement to sign whereby they consent to audio-video recording pursuant to section 13 Legislative Decree 196/2003, independently of their role, participating at the week-long introductory course ("Welcome on Board"). During their first week, new employees are given an overview of Group operations and of the business model, and are also presented the company benefits and instruments, including regarding the IT systems (e.g. the stamping system, how to request leave, absences from work, etc.).

Each year BasicEducation prepares a Group Training Plan, which is then loaded into the section of the system dedicated to each individual employee. The training activities performed are identified on the basis of legislative requirements (e.g., Legislative Decree No. 81/2008)<sup>3</sup>, the working needs indicated by employees and updates on processes, in accordance with the Group's policies.

2020 also saw the continuation of the project to train retail staff and ensure that the Group's Human Resources remain constantly up to date. In 2020 the Group provided over 5,000 hours of training to its human resources, involving a total of 751 trainees. Of these hours, 41% regarded Health and Safety training (Legislative Decree No. 81/2008), whereas the remainder related to IT, the Ethics Code business model, foreign languages, etc.

<b>Hours of training provided</b>	<b>2020</b>	<b>2019</b>
Total hours of training	5,133	3,285
<i>of which, in the classroom</i>	3,055	2,070
<i>of which, online</i>	2,078	1,215
% of hours of training financed <sup>4</sup>	2.4%	3%

For 2020, the hours of training provided to interns have been separated from the total, and amount to

<b>Training hours provided (interns)</b>	<b>2020</b>
Total hours of training	432
<i>of which, in the classroom</i>	363
<i>of which, online</i>	69

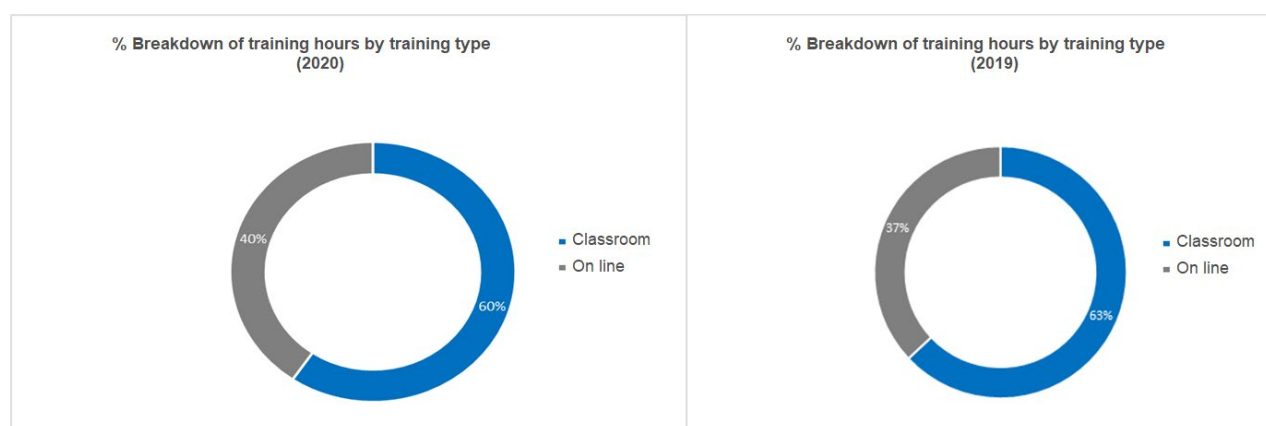
All Group employees have access to two training channels - the e-learning platform and classroom training. Support at the Group brand sales points for business model-focused and sales point management training is also provided. Courses are both individual and Group-based.

Due to the health emergency caused by the COVID-19 pandemic, support offered to new hires at points of sale during the "Welcome on Board" week was suspended in March 2020.

Where at all possible, training was provided online, while face-to-face training was carried out where necessary, in compliance with the protocols put in place to contain the spread of COVID-19.

<sup>3</sup> The data and information regarding anti-corruption policy training is available in the "Legislative Decree No. 231/2001 Organization Model" section of the Corporate Governance and Ownership Structure Report.

<sup>4</sup> Training activities for which funding was requested from the "Fondo Interprofessionale Fondimpresa".



Training by classification and gender	2020		2019	
	Resources trained (no.)	Average hours per capita (**)	Resources trained (no.)	Average hours per capita (*)
Executives	<b>43</b>	<b>8.50</b>	<b>5</b>	<b>1.9</b>
<i>Male</i>	28	6.13	5	2.8
<i>Female</i>	15	13.96	0	0
White-collar	<b>687</b>	<b>6.19</b>	<b>628</b>	<b>8</b>
<i>Male</i>	216	5.12	229	11.8
<i>Female</i>	471	6.70	399	6.2
Blue-collar	<b>21</b>	<b>8.83</b>	<b>12</b>	<b>4.9</b>
<i>Male</i>	11	14.72	7	5.4
<i>Female</i>	10	4.00	5	4.1
<b>Total</b>	<b>751</b>	<b>6.48</b>	<b>645</b>	<b>7.6</b>
<b>of which, women</b>	<b>496</b>	<b>6.97</b>	<b>404</b>	<b>6</b>

\* Average per capita hours are calculated considering the average number of resources in each professional category during the year of reference.

\*\* Average per capita hours are calculated considering the number of resources in each professional category during the year of reference. The reporting scope for data relating to per capita training includes all Group employees (Italian and international offices).

Against an increase in the hours of training provided, the inclusion of Kappa Europe employees (180 employees) in the reporting scope resulted in an increase in the average hours per capita for some categories.

In order to promote training to ensure that staff remain constantly up-to-date regarding specific operational demands, specific action areas were identified. In 2020, refresher courses mainly involved training sales staff in retail management skills. These courses were undertaken with the support of funding from the “Fondimpresa” Inter-professional Fund.

For employees in international offices, training focused almost exclusively on learning foreign languages.

Any updates to company processes are provided through dedicated modules and preferentially through the e-learning channel.

In 2020, adequate training was provided to all employees on the subject of COVID-19, the health emergency, and the behavioural protocols to be followed. The “Emergenza COVID-19 Lavoriamo Sicuri” course was mandatory for all new hires joining the Group.

A total of 567 training hours were provided to 707 employees on COVID-19. Covid-19 training will remain mandatory for all new hires joining the Group.

## Company welfare and well-being

In order to maximize the well-being of company personnel, in 2004 the Group began to take various measures aimed at meeting the needs of all resources and ensuring work-life balance, such as:

- the “hour bank” mechanism, which permits more flexible use of overtime;
- reversible part-time granted to female workers with young children;
- the “BasicCare” desk, where company staff can be asked to handle payments and small routine errands;
- the “BasicGym”, which organises gym classes for Group employees; BasicGym was suspended as per Covid-19 legislation at the beginning of 2020. BasicNet later created a dedicated usage system during the months when indoor exercise was permitted. Online classes were set up to allow employees to participate from home in order to make up for the closure.
- free access to the BasicVillage multi-storey parking garage.
- listening desk: intended to provide employees access to qualified psychological support following a traumatic event or an event impacting work activities. Employees can get in touch with the Counselor to make an appointment. The Counselor informs the company how many times the service has been accessed on a monthly basis. The content of the appointments is confidential and protected by legislation on privacy and professional secrecy, while the identity of the people accessing the service, and the number of times it has been accessed can be traced.

The Group seeks to promote work-life balance through the extension of the post-maternity part-time option provided for in the National Collective Labour Agreement, with the possibility of applying for the programme until the child's six birthday. Part-time requests are also generally accepted without reference to the percentage envisaged in the National Collective Labour Agreement. In 2020, 21 resources – 18 women and 3 men – took parental leave.

An automatic system with two-year intervals ensures a periodic performance assessment and a revision of positions, where necessary.

The collective bargaining agreement applied by the BasicNet Group is the Contract for Distribution and Services, which covers approximately 75.34% of employees, i.e. the entire company population based in Italy under permanent contracts. This was a decrease from around 97% in 2018 following the addition of Kappa Europe, which owns sites outside Italy, to the Group's scope of consolidation.

As mentioned above, according to the Ethics Code and Code of Conduct, Sourcing Centers are also required to pay their workers' salaries and compensation that comply with all locally applicable laws and regulations. Sourcing Centers are thus required to refer to all laws and regulations regarding working hours and to guarantee workers' the rights of association, organization and collective bargaining, peacefully and legally, without interference or penalty.

In view of the evolution of the Covid-19 pandemic that in the summer period 2020 has undergone a new increase at national level, the BasicNet Group, in addition to the measures already put in place to protect the health of workers, has decided to carry out a screening of its working environment in September 2020, offering the possibility to the Group's Resources of the Turin offices of BasicVillage and BasicItalia to perform free serological testing and in case of detection of antibodies to the disease, the molecular swab.

All employees able to work from home were given the opportunity to do so:

	Total remote working hours	Total workable hours	% remote working on workable hours
Italy	139,609	762,762	18.3%

#### 4.4 Occupational health and safety

As stated in the Ethics Code, the Group has always safeguarded health and safety in the workplace for all human resources. In this regard, in fact, the Parent Company and its Italian subsidiaries have developed a “Risk Assessment Document” pursuant to Legislative Decree 81/2008 (Basic Properties America, Inc. and BasicNet Asia Ltd. are not subject to the checks set out in the decree). The Group’s conduct principles in terms of Health and Safety in the workplace, (hereinafter SSL), are listed in the Ethics Code and govern the conduct with which all resources, employees and external consultants are required to be compliant. The Group safeguards health and safety at places of work, developing an awareness of risks, promoting responsible conduct amongst all employees and acts to protect, particularly by preventative actions, employee health and safety. The Group’s activities must be carried out in full compliance with health and safety prevention and protection legislation, whilst constantly seeking to improve health and safety conditions in the workplace.

In compliance with the training programmes, instructions and the resources provided by the employer, each employee is responsible for his/her own health and safety as well as the health and safety of other persons present in the workplace, due to the potential impact of his/her actions or omissions on these other employees.

The Group's foreign companies comply with local Health and Safety regulations.

As already described, even with regard to the Sourcing Centers involved in the Group’s business activities, the Group’s Ethics Code of Conduct requires that *“the Sourcing Centres maintain a clean, safe and healthy workplace in compliance with all legislation and applicable laws. The Sourcing Centres shall ensure the presence of minimum conditions such as employee access to drinking water, sanitary structures and a sufficient number of toilet facilities, extinguishers, emergency exits and a properly insulated and correctly lit workplace environment. The Sourcing Centres shall ensure that the standards outlined above are applied equally to any canteen facilities and/or accommodation provided to employees”*.

For all the Italian companies of the Group, the “.com” BasicFacility is responsible for the management of health and safety in the workplace, and is supported in this by an external consultancy firm (Gruppo Torinoprogetti S.r.l.). On an annual basis, BasicFacility is allocated a budget which includes the item “SSL expenses” available for the Companies BasicNet, BasicItalia and BasicVillage, who individually itemise expenses of BasicRetail (direct management).

In order to facilitate employee participation and their consultation in the development, implementation and evaluation of an occupational health and safety management system, meetings are held annually (pursuant to Article 35 of Decree 81) between company representatives and employee health and safety representatives (EHSR) on the topic to health and safety.

2020 was a year plagued by Covid-19, and the Basic Group found itself having to grapple with the pandemic. A Group task force was set up, comprising various professional figures, in order to respond to the business needs of offices, points of sale, and the external consulting firm Gruppo TorinoProgetti S.r.l. The task force meets on a monthly basis to assess and adapt company procedures to new regulations. In summary:

- A series of Group, trade union and operational protocols were drawn up.
- Legally required PPE was purchased: hand gel, masks and gloves (technical documents were collected) and plexiglass barriers were installed at sales points to protect sales staff.

- BasicFacility has implemented new preventive sanitation procedures at its offices, warehouses and stores, which are carried out on a regular basis. Decontamination is performed in the presence of positive cases. All of the above complies with current legislation.
- The task force meetings are also attended by the RSA and the EHSR (creating an additional opportunity to meet to discuss workplace safety).

For each company, the Group has identified and formally appointed individuals to SSL tasks and responsibilities (“Company Health & Safety Organisation Chart”), and these related contacts are listed in the Health and Safety Organisation chart presented in the risk assessment document (DVR). Specifically, for the companies the following individuals were identified:

- The Employer;
- The RSPP (Head of H&S protection and prevention);
- The ASPP (Health and Safety protection and prevention officer);
- Company-appointed Doctor;
- RLS (Employees’ Health and Safety representative);
- Emergency Manager
- Emergency officers.

The SSL organisational structure is communicated internally within the Group’s Companies through information given to employees when drafting their contracts or during training/information meetings. SSL personnel meet annually (pursuant to article 35 of Legislative Decree 81/2008) to identify and share information regarding sensitive situations and to identify potential corrective actions. Each meeting is duly formalised by the “.com” BasicFacility and BasicGuys of the Group and the related reports are shared with relevant parties. The following participate in the meetings:

- The DDL (Employer) for each Group company;
- The RSPP (external consultants);
- The ASPP (associated with the external consultancy companies);
- the Company-appointed Doctor.

Furthermore, a person responsible for fire prevention requirements has also been identified and emergency coordinators and officers responsible for managing emergencies have been formally appointed. Each person in the emergency team has undergone specific training procedures in accordance with the applicable Art. 37 of Legislative Decree 81/2008.

The Group has established and formalised a Risk Assessment Document (DVR) drafted in accordance with current legislation. The risk assessment process was set out as a logical procedure and can be summarised in the following steps:

- identification of the risks to which employees are exposed;
- assessment of the scope of exposure and the gravity of the effects caused;
- assessment of the probabilities of these effects occurring;
- verification of the possibility of eliminating/reducing the number of exposures;
- assessment of the applicability of these measures and their suitability.

Within each DVR, the risk assessment methods are defined in terms of general and specific risks under the paragraph “Risk assessment criteria used”. Each DVR includes:

- a) the assessment of the health and safety risks. The risks associated with Covid-19 have been included since 2020;
- b) details of the criteria applied to risk assessments;
- c) the description of the activities carried out by the Company;
- d) outline of the current preventative and protection measures implemented and the individual protection provisions adopted;
- e) name of the person responsible for the prevention and protection service, employees’ health and safety representative and the Company-appointed doctor involved in the risk assessment;



- f) details of the tasks that could potentially expose employees to specific risks and which require a recognised professional skill, specific experience and sufficient training and induction to be carried out.

In drafting the emergency plans, the Group defined formal rules to manage emergencies, identifying the intervention procedures, from the implementation of fire prevention procedures to the evacuation of employees in the case of serious and imminent danger – “Procedures to be implemented in the case of emergency and evacuation scenarios”. Emergency drills are carried out annually across various company sites in compliance with legislative requirements and the persons responsible for fire prevention as well as first aid first-aid personnel undergo a specific training programme.

In relation to SSL training, the “.com” “BasicEducation” is responsible for planning, organising and reporting the Group’s employee training programmes (internal resources and personnel in owned and non-owned stores). The health and safety training programmes are drawn up by the BasicNet Group’s Workplace Health and Safety Coordinator in conjunction with the Gruppo Torino Progetti S.r.l. and include:

- the planning and the delivery of a course on general workplace health and safety for official use (e-learning);
- appropriate training courses related to the specific risks to which employees are exposed depending on their related roles, as well as on the correct use of Individual Protection Devices (IPD).

At the end of every course, all participants are registered and where required an assessment test is carried out. Each resource has the option to access the BasicEducation app, and can see their own “training licence” with details of the courses taken/to be taken.

All the training courses delivered by BasicEducation are based on both legislative and individual requirements in addition to the Company’s professional requirements (e.g. Legislative Decree 81/2008).

The BasicNet Group, when it allocates employees, services and supplies to contractors, is responsible for providing these parties with information on the specific risks present in the workplace where they are going to work, as well as for providing information on the applicable preventative and emergency measures related to their work in compliance with the provisions of Art. 26 of Legislative Decree 81/2008. As of 2020, every external company is required to read and sign the risk information sheet (disruptive risks) found at the security desk at the BasicVillage factory outlet and in the porter’s lodge at BasicItalia.

The BasicGuys web service tracks all accidents and incidents that arise at the company. Incidents are analysed on an annual basis and the results of these analyses are discussed during regular meetings pursuant to Article 35 of Legislative Decree 81/2008.

In 2020, there were no reports of occupational illnesses, nor were there any fatal incidents or incidents with permanent damage reported.

In 2020 there was 3 workplace accidents in Italy and 3 workplace accidents abroad.



<b>Number of accidents and accident rates 2020 – Italy</b>		
Total accidents (No.)	<b>Total</b>	<b>3</b>
<i>serious workplace accidents (No.)</i> <sup>5</sup>		0
<i>of which deaths at work (No.)</i>		0
Frequency Index/Accident Rate (Injury Rate IR) <sup>6</sup>		0.7094
Rate of serious accidents at work (excluding deaths) <sup>7</sup>		0.0050
Workplace death rate <sup>8</sup>		0.0023
Total Hours provided		855,959
<b>Number of accidents and accident rates 2020 – Abroad</b>		
Total accidents (No.)	<b>Total</b>	<b>3</b>
<i>serious workplace accidents (No.)</i>		0
<i>of which deaths at work (No.)</i>		0
Frequency Index/Accident Rate (Injury Rate IR)		2.65
Rate of serious accidents at work (excluding deaths)		0.00
Workplace death rate		0.00
Total Hours provided		226,112
<b>Number of accidents and accident rates 2019 – Italy<sup>9</sup></b>		
Total accidents (No.)	<b>Total</b>	<b>1</b>
<i>workplace accidents (No.)</i>		1
<i>accidents on commute (No.)</i>		0
Frequency Index/Accident Rate (Injury Rate IR)		0.20
Absentee Rate AR(%)		1.8%
<b>Number of accidents and accident rates 2019 – Abroad</b>		
Total accidents (No.)	<b>Total</b>	<b>4</b>
<i>workplace accidents (No.)</i>		4
<i>accidents on commute (No.)</i>		0
Frequency Index/Accident Rate (Injury Rate IR)		3.20
Absentee Rate AR(%)		12%

Throughout 2020, the Companies of the BasicNet Group continued with the Prevention and Protection Service (Gruppo Torinoprogetti S.r.l.) through a number of health and safety projects aimed at promoting an increased awareness amongst employees regarding looking after their own health, including outside the work environment.

Every intervention to promote health was firstly developed as a step towards disseminating information, starting from drawing up a procedure to manage the actual process for disseminating information, the

<sup>5</sup> Serious work-related injuries refer to work-related injuries that result in an injury where the worker cannot, or does not expect, to fully recover to pre-injury health within 6 months. Deaths due to accidents in the workplace are excluded from this category.

<sup>6</sup> The Frequency Index represents the ratio between the total number of accidents and the total number of days worked during the same period, multiplied by 200,000 (Source: *GRI standards 2016*)

<sup>7</sup> The serious occupational injury rate represents the ratio of the number of serious injuries excluding fatalities to total hours worked, multiplied by 200,000.

<sup>8</sup> The occupational fatality rate represents the ratio of the number of fatalities occurring in the workplace to total hours worked, multiplied by 200,000

<sup>9</sup> The data reporting method was updated with reference to GRI 403 (2018) in 2020. It has not been possible to apply the same breakdown to data reported for 2019 according to GRI 403 (2016) as per the 2019 Consolidated Non-Financial Report.

timelines and the target audience of the given project. Moreover, each health promotion intervention was supported by information materials drafted by official bodies, for example the Ministry of Health, to ensure accurate and valid content.

In order to safeguard employee health as well as the health of the company population, in 2020 new AED (automated external defibrillator) operators were trained, and new hires were brought up to date as per the applicable legislation.

## 5. Environmental Responsibility

Environmental protection is a key factor in the Group's competitiveness and sustainability, as the Group believes that the environment and nature are fundamental values and assets that belong to everybody which should be protected and defended. As also stated in the Ethics Code, this respect of the environment is primarily consolidated in dutiful and scrupulous compliance with environmental regulations. Secondly, the Group is committed to implementing responsible environmental-protection behaviours, avoiding any behaviour that may damage the environment as well as promoting the responsible management of the energy resources and raw materials used (e.g. paper), as well as waste products.

As provided under the Ethics Code of Conduct, the Sourcing Centres are also required to comply with all environmental laws and regulations, as well as maintaining procedures to notify the local Authorities in a timely manner of any environmental incidents arising from the work carried out by the Sourcing Centres.

### 5.1 Energy resource management

The energy resources analysed relate to:

- the Turin sites, i.e. the offices of the Parent Company<sup>10</sup> (property of the subsidiary BasicVillage S.p.A.) and those of BasicItalia S.p.A., which is now owned by BasicVillage;
- The five offices of the new Kappa Europe Group (two in France, one in Spain, one in Switzerland and one in the United Kingdom).
- 44 Franchises<sup>11</sup>, i.e. the stores owned by the subsidiary BasicRetail S.r.l. and located in Italy and the new store in Mendrisio (Switzerland) owned by the new company BasicRetail SUISSE SA. The AlloSpaccio store is included in BasicVillage's consumption as it located on the premises. There is no data for the K-Way20 store: lump-sum expenses are billed by Costa Smeralda Airport, without a breakdown.
- the overseas branch of BasicNet Asia Ltd. (Hong Kong, Cina) is less important from an energy point of view, as it only has a handful of rented premises with 15 employees.
- The company BasicAir S.r.l., which owns a second-hand Cessna Citation VII aircraft.

In relation to the two headquarters in Turin, where 185 out of 792 employees work (23.36% of the Group's total workforce), the online business "BasicFacility" in recent years launched some initiatives to reduce energy consumption including:

- a programme to gradually replace neon lights with LED lights in the BasicVillage headquarters, for which all are expected to be replaced in the offices and warehouse by the end of 2020 (lights in some technical areas are yet to be replaced). It is nevertheless important to note that in the BasicVillage offices there is an automatic lighting system which automatically switches off all the lights in the premises. At BasicItalia's offices, in 2021 the replacement of all lights and fluorescent bulbs with LED lighting will be completed;

<sup>10</sup> The Parent Company's relative electricity consumption also includes, for 2020, the Corso Vigevano warehouse and the Via Padova offices in Turin (Italy).

<sup>11</sup> The K-Way20 Olbia shop at Olbia Costa Smeralda Airport has been excluded as it is not considered significant in terms of size or consumption.

- the use of software to manage the thermal fluid installation in the BasicVillage headquarters, which is constantly monitored by a web inspection system thereby controlling, managing, and implementing the functional programming of the electromechanical instruments, operating temperatures, and ATUs (Air Treatment Units) and which is capable of signalling any potential system anomaly. Depending on the type of premises involved, this monitoring system allows optimum summer and winter temperatures to be regulated for the office environments, thus reducing energy consumption and saving money;
- pursuant to Legislative Decree 102/2014, an energy audit to promote energy efficiency is programmed every three years for the Basic Village and BasicItalia headquarters, which took place in 2019.
- the use of IT devices such as printers and photocopiers with automatic settings providing standby modes for certain periods of inactivity, as well as employees switching off their computers at the end of the day. According to the research undertaken on energy consumption and respect for the environment, the Group requests that its users, where possible and as per standard procedures, turn off their PC's and monitors at the end of the working day. This research is supported also by European Union data, which through the "Energy Star" platform introduced a dynamic calculation system which (Hardware features and average usage) can establish the annual energy consumption of PC's in kWh terms.

With regard to the energy resources used internally within the Group, all the stores and the two Turin headquarters purchase their energy directly from the grid, but only the two Turin headquarters use respectively natural gas (BasicVillage headquarters) and oil (BasicItalia and BasicVillage headquarters) to heat their premises. It should be noted that in 2020, total electric energy consumption decreased by 23% compared to 2019, whereas the consumption of natural gas increased by 43%, and the use of oil for heating decreased by 19%. The changes in the two heating sources used by offices in Italy are owed to the fact that the BasicItalia headquarters in Turin were connected to the methane gas network in 2020, and thus favours this resource to diesel. The decrease in electricity consumption, on the other hand, primarily relates to the COVID-19 pandemic as our stores have been closed for an extended period of time due to current legislation (DPCM).

A further portion of energy consumption can be attributed to the use of fuels (petrol and diesel) by the Group's fleet of vehicles, which includes company cars and long-term leased vehicles. Petrol consumption decreased by 25% and diesel consumption by 73% due to the pandemic, which resulted in several periods in which traffic was halted in the countries where the Group operates in 2020.

The decrease in the Group's energy consumption led to a reduction in greenhouse gas emissions compared to 2019. Specifically, the share of greenhouse gases from electricity supplied from the grid (indirect emissions - Scope 2, calculated using a Location-based method rather than a Market-based method), declined by 26% with the location approach and 24% with the market approach compared to 2019. By contrast, emissions generated directly within the Group from the use of heating and vehicle fuels (direct emissions - Scope 1) increased 7% on 2019. This was due to the Group's increased scope and the inclusion of consumption generated by the Cessna Citation VII aircraft. Among these, emissions generated by the use of petrol and diesel for motor vehicles decreased by 66% compared to 2019.

In general, it should be noted that the main differences relating to energy consumption data are mainly owed to the lockdown and the reduced use of company cars, especially by the sales team. In addition, the changes in CO<sub>2</sub> emissions data between 2019 and 2020 can be attributed to a reduction in the Group's energy consumption and changes to the consolidation scope, following the inclusion of the company BasicAir S.r.l.

*Internal and external energy consumption for the BasicNet Group in 2020 and 2019*

Energy sources	2020	2019	Change %
<b>Internal energy consumption<sup>12</sup></b>			
<b>Electrical energy purchased from the grid</b>	4,086,904 kWh (14,713 GJ)	5,292,870 kWh (19,054 GJ)	-23%
<b>Heating</b>			
Natural gas	212,718 smc (7,504 GJ)	148,978 smc (5,259 GJ)	43%
Diesel	56,204 litres (2,020 GJ)	69,062 litres (2,482 GJ)	-19%
<b>Vehicles</b>			
Petrol for vehicles	12,875 litres (406 GJ)	18,561 litres (541 GJ)	-25%
Diesel for vehicles	27,306 litres (982 GJ)	99,624 litres (3,584 GJ)	-73%
<b>Aviation<sup>13</sup></b>			
Aviation turbine fuel	51 tonnes (2,254 GJ)		
<b>Total internal energy consumption</b>	<b>27,879 GJ</b>	<b>30,929 GJ</b>	<b>10%</b>

*CO<sub>2</sub> emissions of the BasicNet Group, 2020 and 2019*

CO <sub>2</sub> emissions (ton CO <sub>2</sub> ) <sup>14</sup>	2020	2019	Change %
Scope 1 emissions <sup>15</sup>	837	783	7%
Due to heating	571	480	19%
Due to vehicles	103	303	-66%
Due to aviation	163		
Scope 2 emissions <sup>16</sup>			
Location-based Approach	1,342	1,822	-26%
Market-based Approach	1,852	2,439	-24%

<sup>12</sup> For 2020 data: the Net Calorific value of natural gas is 0.035 GJ/m<sup>3</sup>, the average density of diesel is 0.838 kg/l, the Net Calorific value of diesel is 42.877 GJ/ton for Italy and 42.93 GJ/ton for France, the average density of petrol is 0.7369 kg/l, Net Calorific value of petrol is 42.817 GJ/ton (Sources: Ministry of the Environment and for the Protection of the Land and Seas, National Standards Parameter Table, 2020; Department for Environment, Food & Rural Affairs, Conversion factors 2020 - Condensed set, 2020).

<sup>13</sup> Fuel used for third-party travel was excluded from the Group's consumption of aviation turbine fuel for the Cessna Citation VII aircraft owned by BasicAir. In fact, approximately 50% of the aircraft's flight hours can be attributed to third parties.

<sup>14</sup> For calculations of Scope 1 and Scope 2 emissions, only CO<sub>2</sub> emissions were taken into account. This is because the effect of methane and nitrous oxide on total greenhouse gas emissions (CO<sub>2</sub> equivalents) is negligible, as stated in the related technical literature.

<sup>15</sup> For Italy the natural gas emissions factor is 0.001984 tCO<sub>2</sub>/scm, the diesel emissions factor is 3.155 tCO<sub>2</sub>/ton, and the petrol emissions factor is 3.14 tCO<sub>2</sub>/ton (source: Ministry for the environment and the protection of the Land and Sea, National Standards Parameter Table, 2020). For France, the diesel emissions factor is 3.2066 tCO<sub>2</sub>/ton, and the petrol emissions factor is 3.152 tCO<sub>2</sub>/ton (source: Department for Environment, Food & Rural Affairs, Conversion factors 2020 - Condensed set, 2020).

<sup>16</sup> The reporting standard used (GRI sustainability reporting standards 2016) establishes two different calculation methods for Scope 2 emissions: "Location-based" and "Market-based". The location-based method requires the use of the average national emission factor related to the specific national energy mix used to produce electricity (the coefficient of the emission used for Italy is 336 gCO<sub>2</sub>/kWh, for France 56 gCO<sub>2</sub>/kWh, for Switzerland 34 gCO<sub>2</sub>/kWh, and for Asia 577 gCO<sub>2</sub>/kWh - Source: Terna, International Comparisons 2018). The market-based approach uses an emission factor based on the contractual agreement for the provision of electricity. Given the absence of specific electricity agreements between the companies of the Group and the suppliers (e.g. a Guarantee of origin purchase), for this calculation an emission factor related to the national "residual mix" was used (coefficient of emissions used for Italy of 466 gCO<sub>2</sub>/kWh, for France of 43 gCO<sub>2</sub>/kWh, for Switzerland of 19 gCO<sub>2</sub>/kWh and for Asia of 577 gCO<sub>2</sub>/kWh - Source: Association of Issuing Bodies, European Residual Mixes 2020; Terna, Confronti Internazionali 2018).

## 5.2 Waste management

As the Group does not have its own internal production activity, the main waste produced by the Group's activities come under the conventional categories of typical office-waste: paper and cardboard, photocopier and printing toners, batteries and plastics. All waste products are collected and sent to recycling or recovery operators, according to the procedures and time frames of current legislation and based on waste categories: while paper and cardboard, plastic, and batteries are collected and sent to the recovery chain (62360 kg of waste of non-hazardous waste and 577 kg of hazardous waste), toners are collected by third-party waste processing companies and sent for recovery. In terms of paper consumption, through the web integration, since 1999 the Group has committed to reducing paper usage by means of the IT platform, which is the only communication instrument between the elements within the Network (from procedural controls to HR management). The Group also utilises a scanner archive system throughout the operating cycle, for the majority of accounting records and ledgers and payroll management.

2020 saw a decrease in the total waste produced by the Group compared to 2019, despite the expansion of the Group consolidation scope. This can also be attributed to the pandemic, during which the Group companies largely worked from home (as per legislation).

Precisely for this reason, 2020 saw a substantial decrease in the consumption of plastic (-40%) and toner (53%). To further limit plastic consumption in 2021, the Group will use biodegradable materials for water bottles, teaspoons and cups in its vending machines.

Hazardous waste, on the other hand, increased by 200% given that company equipment continued to function and consume energy, despite the pandemic.

*BasicNet Group waste products, year 2020 and 2019<sup>17</sup>*

Type of waste (KG)	2020	2019	Change %
<b>Non-hazardous waste</b>			
Paper and cardboard	61,010	63,691	-4%
Toner	122	259	-53%
Plastics	1,228	2,034	-40%
<b>Total</b>	<b>62,360</b>	<b>65,984</b>	<b>-6%</b>
<b>Hazardous waste</b>			
Batteries	577	189	+205%
<b>Total</b>	<b>577</b>	<b>189</b>	<b>+205%</b>
<b>Total waste</b>	<b>62,937</b>	<b>66,173</b>	<b>-5%</b>

<sup>17</sup> The weight of batteries was estimated based on the weight (in kg) of a battery and the number of batteries disposed of during the year. The weight of plastic was estimated on the basis of the weight (in kg) of bottles of water and the number of bottles disposed of during the year. As in 2019, the 2020 figures also include the weight of plastic used for plastic cups at BasicNet/Basic Village and BasicItalia during the reporting year. The weight of toner was extrapolated from the formulas of the company specialised in toner disposal. The weight of paper/cardboard was extrapolated from the communications of the company in charge of paper and cardboard disposal.

## GRI Content Index

The following table outlines the sustainability issues that the Group BasicNet deems of relevance, correlated to the elements defined in the *GRI standards* guidelines reported in this document as well as the Boundary impact that each issue could have in within the Group for the relevant stakeholders. Furthermore, in the column “Type of impact”, the role BasicNet plays in relation to the impact caused to each relevant issue is also outlined.

Material aspects	GRI Standards aspects	Correlation to themes referred to in Legislative Decree 254/2016	Boundary	Type of impact
<b>Ethics and Compliance</b>	<ul style="list-style-type: none"> <li>- GRI 206: Anti-competitive conduct (2016)</li> <li>- GRI 308: Environmental compliance (2016)</li> <li>- GRI 418: Socio-economic compliance (2016)</li> <li>- GRI 207: Tax (2019)</li> </ul>	Combating bribery and corruption	BasicNet Group; Suppliers; Sourcing Centers; Licensees; Public Sector, government and control bodies	Caused by the Group
<b>Anti-corruption</b>	<ul style="list-style-type: none"> <li>- GRI 205: Anti-corruption (2016)</li> </ul>	Combating bribery and corruption	BasicNet Group; Investors, Shareholders and the financial community; Suppliers; Sourcing Centers; Licensees; Public Sector; government and control bodies	Caused by the Group
<b>Promotion of economic development</b>	<ul style="list-style-type: none"> <li>- GRI 203: Indirect economic impacts (2016)</li> </ul>	Social	BasicNet Group; Sourcing Centers; Licensees; Franchisees; local communities	Caused by the Group
<b>R&amp;D and Innovation</b>	n/a	n/a	BasicNet Group; Sourcing Centers; Licensees; Customers and consumers	Caused by the Group
<b>Procurement practices</b>	<ul style="list-style-type: none"> <li>- GRI 414: Assessment of suppliers according to social criteria (2016)</li> <li>- GRI 412: Human rights assessment (2016)</li> </ul>	Social Human Rights	BasicNet Group; Suppliers; Sourcing Centers	Contribution of the Group; Related to Group activities
<b>Data Security and Protection</b>	<ul style="list-style-type: none"> <li>- GRI 418: Customer privacy (2016)</li> </ul>	Social	BasicNet Group; Sourcing Centers; Licensees	Caused by the Group; Related to Group activities
<b>Prevention of Counterfeiting</b>	<ul style="list-style-type: none"> <li>- GRI 417: Marketing and labelling (2016)</li> </ul>	Social	BasicNet Group; Sourcing Centers; Licensees; Customers and consumers; Franchisees	Caused by the Group; Related to Group activities
<b>Customer Relations</b>	n/a	Social	BasicNet Group; Customers and consumers; Franchisees	Caused by the Group;

<b>Material aspects</b>	<b>GRI Standards aspects</b>	<b>Correlation to themes referred to in Legislative Decree 254/2016</b>	<b>Boundary</b>	<b>Type of impact</b>
<b>Management and development of human resources</b>	- GRI 401: Employment (2016) - GRI 404: Training and education (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
<b>Diversity and equal opportunity</b>	- GRI 405: Diversity and equal opportunity (2016) - GRI 406: Non-discrimination (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
<b>Worker Well-being</b>	- GRI 401: Employment (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
<b>Employee Health and Safety</b>	- GRI 403: Occupational Health and Safety (2018)	Related to personnel	BasicNet Group; Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees	Caused by the Group; Related to Group activities
<b>Human Rights</b>	- GRI 412: Human rights assessment (2016)	Human Rights	BasicNet Group; Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees	Related to Group activities
<b>Efficient Use of Natural Resources</b>	- GRI 302: Energy (2016)	Environmental	BasicNet Group; Public Sector, government and control bodies	Caused by the Group
<b>Environmental protection</b>	- GRI 305: Emissions (2016) - GRI 306: Effluents and waste (2016)	Environmental	BasicNet Group; Public Sector, government and control bodies; local communities	Caused by the Group



The performance indicators, in compliance with the GRI Standards according to the *in accordance - Core* option, are provided below. Each indicator is linked with a specific section of the Non-Financial Report or a differing publicly available source to which reference should be made.

GRI-Standards		Page	Notes/Omissions <sup>18</sup>
<b>GRI 102: GENERAL STANDARD DISCLOSURES</b>			
<b>Organisational Profile</b>			
102-1	Name of the Organisation	7	
102-2	Activities, brands, products, and services	7; 9	
102-3	Location of headquarters	7	
102-4	Countries of operation	7-10; 12-16	
102-5	Nature of ownership and legal form	33-38	
102-6	Markets served	10; 12-16	
102-7	Scale of the Organisation	14-21; 77-78	
102-8	Information on employees and other workers	77-78	
102-9	Supply chain	72-74	
102-10	Significant changes to the Organisation and its supply chain	62;64-65	
102-11	Precautionary principle or approach	47-52	
102-12	External initiatives	66-68	
102-13	Membership of associations	66	
<b>Strategy</b>			
102-14	Statement of the Chairman/Chief Executive Officer	5	
102-15	Key impacts, risks and opportunities	22-26; 47-51; 64	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards and norms of behaviour	52-54	
<b>Governance</b>			
102-18	Governance structure	36-38; 40-47	
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	67	
102-41	Collective bargaining agreements	82	
102-42	Identifying and selecting stakeholders	66-68	
102-43	Approach to stakeholder engagement	66-68	
102-44	Key topics and concerns raised	68	

<sup>18</sup> The “Notes” column presents information on the coverage of the indicators and any limitations to the reporting boundary.

Reporting process			
102-45	Entities included in the consolidated financial statements	65	
102-46	Defining report content and topic Boundaries	64-65; 66.68	
102-47	List of material topics	68	
102-48	Restatements of information	62-65	
102-49	Changes in reporting	64-65	No significant changes in relation to the material topics and their scope took place in 2020.
102-50	Reporting period	64	
102-51	Date of most recent report	64	
102-52	Reporting cycle	64-65	
102-53	Contact point for questions regarding the report	65	
102-54	GRI Guidelines compliance option	64	
102-55	GRI Content Index	91-99	
102-56	External assurance	100-102	
SPECIFIC STANDARD DISCLOSURES			
ECONOMIC CATEGORY			
Indirect economic impacts			
GRI 103: Managerial approach			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	68-72	
103-3	Evaluation of the management approach	68-72	
GRI 203: Indirect economic impacts (2016)			
203-2	Significant indirect economic impacts	68-71	
Anti-corruption			
GRI 103: Managerial approach			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	52-55	
103-3	Evaluation of the management approach	52-55	
GRI 205: Anti-corruption (2016)			
205-2	Communication and training about anti-corruption policies and procedures	52-55; 80	
Anti-competitive conduct			
GRI 103: Managerial approach			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	50-52; 53-55	
103-3	Evaluation of the management approach	50-52; 53-55	

<b>GRI 206: Anti-competitive conduct (2016)</b>			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	95	As for 2019, during 2020 no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices were reported.
<b>Income taxes</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	23-26; 71-72	
103-3	Evaluation of the management approach	23-26; 71-72	
<b>GRI 207: Tax (2019)</b>			
207-1	Approach to tax	71-72	
207-2	Tax governance, control and risk management	25-26; 71-72	
207-3	Stakeholder engagement and management of tax concerns	23-26; 71-72	
207-4	Country-by-country reporting		<b>Information not available</b> For the year 2020 (the first year of implementation of Standard 207), the Company does not report the information as required by GRI 207-4, for reasons related to the reporting and internal control process of the data with the level of detail required for each tax jurisdiction. Therefore, the Company is committed to sourcing the data and information necessary to cover the disclosures for future reporting years
<b>ENVIRONMENTAL CATEGORY</b>			
<b>Energy</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	87-89	
103-3	Evaluation of the management approach	87-89	
<b>GRI 302: Energy (2016)</b>			
302-1	Energy consumption within the organization	89	

<b>Emissions (2016)</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	87-89	
103-3	Evaluation of the management approach	87-89	
<b>GRI 305: Emissions</b>			
305-1	Direct (Scope 1) GHG emissions	89	
305-2	Energy indirect (Scope 2) GHG emissions	89	
<b>Effluents and waste</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	90	
103-3	Evaluation of the management approach	90	
<b>GRI 306: Effluents and waste (2016)</b>			
306-2	Waste by type and disposal method	90	

<b>Environmental Compliance</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	87-88	
103-3	Evaluation of the management approach	87-88	
<b>GRI 307: Environmental Compliance (2016)</b>			
307-1	Non-compliance with environmental laws and regulations	96	As for 2019, during 2020 no significant incidents of non-compliance with environmental laws and regulations were reported.

<b>SOCIAL CATEGORY</b>			
<b>Employment</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	77-78	
103-3	Evaluation of the management approach	77-78	
<b>GRI 401: Employment (2016)</b>			
401-1	New employee hires and employee turnover	78	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	82	

<b>Occupational health and safety</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	83-85	
103-3	Evaluation of the management approach	83-85	
<b>GRI 403: Occupational Health and Safety (2018)</b>			
403-1	Occupational health and safety management system	83-87	
403-2	Hazard identification, risk assessment, and incident investigation	83-87	
403-3	Occupational health services	83-87	
403-4	Worker participation, consultation, and communication on occupational health and safety	83-87	
403-5	Worker training on occupational health and safety	80-81; 83-87	
403-6	Promotion of worker health	83-87	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	83-87	
403-9	Work-related injuries	85-86	
<b>Training and education</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	79-81	
103-3	Evaluation of the management approach	79-81	
<b>GRI 404: Training and education (2016)</b>			
404-1	Average hours of training per year per employee	80-81	
404-2	Programs for upgrading employee skills and transition assistance programs	79-82	
<b>Diversity and equal opportunities</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	38-39; 60; 79	
103-3	Evaluation of the management approach	38-39; 60; 79	
<b>GRI 405: Diversity and equal opportunities (2016)</b>			
405-1	Diversity of governance bodies and employees	38-39; 79	

<b>Non-discrimination</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	79	
103-3	Evaluation of the management approach	79	
<b>GRI 406: Non-Discrimination (2016)</b>			
406-1	Incidents of discrimination and corrective actions taken	98	As for 2019, during 2020 no cases of discrimination were reported in 2019 at the Group.
<b>Human rights assessment</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	51-53; 68-69	
103-3	Evaluation of the management approach	51-53; 68-69	
<b>GRI 412: Human rights assessment (2016)</b>			
412-2	Employee training on human rights policies or procedures	52-53; 80-82	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	52-53	
<b>Assessment of suppliers according to social criteria</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	72-74	
103-3	Evaluation of the management approach	72-74	
<b>GRI 414: Assessment of suppliers according to social criteria (2016)</b>			
414-1	New suppliers that were screened using social criteria	69; 74	
<b>Marketing and labelling</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	76-77	
103-3	Evaluation of the management approach	76-77	
<b>GRI 417: Marketing and labelling (2016)</b>			
417-1	Requirements for product and service information and labelling	76-77	

<b>Customer privacy</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	74-77	
103-3	Evaluation of the management approach	74-77	
<b>GRI 418: Customer privacy (2016)</b>			
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	99	As for 2019, during 2020 no complaints against privacy violation were received.
<b>Socio-economic compliance</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	67-68; 91-92	
103-2	The management approach and its components	50-51	
103-3	Evaluation of the management approach	50-51	
<b>GRI 419: Socio-economic compliance (2016)</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	25-27	
<b>R&amp;D and Innovation</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	59-61; 80	
103-2	The management approach and its components	28-29	
103-3	Evaluation of the management approach	28-29	
<b>Client Relations</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	59-61; 80	
103-2	The management approach and its components	72-74; 76-77	
103-3	Evaluation of the management approach	72-74; 76-77	



## **Relazione della società di revisione indipendente sulla dichiarazione consolidata di carattere non finanziario ai sensi dell'art. 3, c. 10, D.Lgs. 254/2016 e dell'art. 5 del regolamento Consob adottato con Delibera n. 20267 del 18 gennaio 2018**

Al Consiglio di Amministrazione della  
BasicNet S.p.A.

Ai sensi dell'articolo 3, comma 10, del Decreto Legislativo 30 dicembre 2016, n. 254 (di seguito "Decreto") e dell'articolo 5 del Regolamento CONSOB n. 20267/2018, siamo stati incaricati di effettuare l'esame limitato ("*limited assurance engagement*") della dichiarazione consolidata di carattere non finanziario della BasicNet S.p.A. e sue controllate (di seguito "Gruppo" o "Gruppo BasicNet") relativa all'esercizio chiuso al 31 dicembre 2020 predisposta ai sensi dell'art. 4 del Decreto, presentata nella specifica sezione della Relazione sulla gestione e approvata dal Consiglio di Amministrazione in data 2 marzo 2021 (di seguito "DNF").

### **Responsabilità degli Amministratori e del Collegio Sindacale per la DNF**

Gli Amministratori sono responsabili per la redazione della DNF in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e ai "Global Reporting Initiative Sustainability Reporting Standards" definiti dal GRI - Global Reporting Initiative (di seguito "GRI Standards"), da essi individuato come standard di rendicontazione.

Gli Amministratori sono altresì responsabili, nei termini previsti dalla legge, per quella parte del controllo interno da essi ritenuta necessaria al fine di consentire la redazione di una DNF che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli Amministratori sono responsabili inoltre per l'individuazione del contenuto della DNF, nell'ambito dei temi menzionati nell'articolo 3, comma 1, del Decreto, tenuto conto delle attività e delle caratteristiche del Gruppo e nella misura necessaria ad assicurare la comprensione dell'attività del Gruppo, del suo andamento, dei suoi risultati e dell'impatto dallo stesso prodotti.

Gli Amministratori sono infine responsabili per la definizione del modello aziendale di gestione e organizzazione dell'attività del Gruppo, nonché, con riferimento ai temi individuati e riportati nella DNF, per le politiche praticate dal Gruppo e per l'individuazione e la gestione dei rischi generati o subiti dallo stesso.

Il Collegio Sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sull'osservanza delle disposizioni stabilite nel Decreto.

### **Indipendenza della società di revisione e controllo della qualità**

Siamo indipendenti in conformità ai principi in materia di etica e di indipendenza del *Code of Ethics for Professional Accountants* emesso dall'*International Ethics Standards Board for Accountants*, basato su principi fondamentali di integrità, obiettività, competenza e diligenza professionale, riservatezza e comportamento professionale. La nostra società di revisione applica l'*International Standard on Quality Control 1 (ISQC Italia 1)* e, di conseguenza, mantiene un sistema di controllo qualità che include direttive e procedure documentate sulla conformità ai principi etici, ai principi professionali e alle disposizioni di legge e dei regolamenti applicabili.

## Responsabilità della società di revisione

È nostra la responsabilità di esprimere, sulla base delle procedure svolte, una conclusione circa la conformità della DNF rispetto a quanto richiesto dal Decreto e dai GRI Standards. Il nostro lavoro è stato svolto secondo quanto previsto dal principio "*International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information*" (di seguito "*ISAE 3000 Revised*"), emanato dall'*International Auditing and Assurance Standards Board* (IAASB) per gli incarichi *limited assurance*. Tale principio richiede la pianificazione e lo svolgimento di procedure al fine di acquisire un livello di sicurezza limitato che la DNF non contenga errori significativi. Pertanto, il nostro esame ha comportato un'estensione di lavoro inferiore a quella necessaria per lo svolgimento di un esame completo secondo l'*ISAE 3000 Revised* ("*reasonable assurance engagement*") e, conseguentemente, non ci consente di avere la sicurezza di essere venuti a conoscenza di tutti i fatti e le circostanze significativi che potrebbero essere identificati con lo svolgimento di tale esame.

Le procedure svolte sulla DNF si sono basate sul nostro giudizio professionale e hanno compreso colloqui, prevalentemente con il personale della Società responsabile per la predisposizione delle informazioni presentate nella DNF, nonché analisi di documenti, ricalcoli ed altre procedure volte all'acquisizione di evidenze ritenute utili.

In particolare, abbiamo svolto le seguenti procedure:

1. analisi dei temi rilevanti in relazione alle attività ed alle caratteristiche del Gruppo rendicontati nella DNF, al fine di valutare la ragionevolezza del processo di selezione seguito alla luce di quanto previsto dall'art. 3 del Decreto e tenendo presente lo standard di rendicontazione utilizzato;
2. analisi e valutazione dei criteri di identificazione del perimetro di consolidamento, al fine di riscontrarne la conformità a quanto previsto dal Decreto;
3. comparazione tra i dati e le informazioni di carattere economico-finanziario inclusi nella DNF ed i dati e le informazioni inclusi nel bilancio consolidato del Gruppo BasicNet;
4. comprensione dei seguenti aspetti:
  - modello aziendale di gestione e organizzazione dell'attività del Gruppo, con riferimento alla gestione dei temi indicati nell'art. 3 del Decreto;
  - politiche praticate dall'impresa connesse ai temi indicati nell'art. 3 del Decreto, risultati conseguiti e relativi indicatori fondamentali di prestazione;
  - principali rischi, generati o subiti connessi ai temi indicati nell'art. 3 del Decreto.

Relativamente a tali aspetti sono stati effettuati inoltre i riscontri con le informazioni contenute nella DNF e effettuate le verifiche descritte nel successivo punto 5, lett. a).

5. comprensione dei processi che sottendono alla generazione, rilevazione e gestione delle informazioni qualitative e quantitative significative incluse nella DNF.  
In particolare, abbiamo svolto interviste e discussioni con il personale della Direzione della BasicNet S.p.A. e abbiamo svolto limitate verifiche documentali, al fine di raccogliere informazioni circa i processi e le procedure che supportano la raccolta, l'aggregazione, l'elaborazione e la trasmissione dei dati e delle informazioni di carattere non finanziario alla funzione responsabile della predisposizione della DNF.

Inoltre, per le informazioni significative, tenuto conto delle attività e delle caratteristiche del Gruppo:

- a livello di gruppo
  - a) con riferimento alle informazioni qualitative contenute nella DNF, e in particolare a modello aziendale, politiche praticate e principali rischi, abbiamo effettuato interviste e acquisito documentazione di supporto per verificarne la coerenza con le evidenze disponibili;
  - b) con riferimento alle informazioni quantitative, abbiamo svolto sia procedure analitiche che limitate verifiche per accertare su base campionaria la corretta aggregazione dei dati.
- per le società, BasicNet S.p.A., BasicItalia S.p.A. e BasicRetail S.r.l., che abbiamo selezionato sulla base delle loro attività, del loro contributo agli indicatori di prestazione a livello consolidato e della loro ubicazione, abbiamo effettuato incontri da remoto nel corso dei quali ci siamo confrontati con i responsabili e abbiamo acquisito riscontri documentali circa la corretta applicazione delle procedure e dei metodi di calcolo utilizzati per gli indicatori.

## Conclusioni

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che la DNF del Gruppo BasicNet relativa all'esercizio chiuso al 31 dicembre 2020 non sia stata redatta, in tutti gli aspetti significativi, in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e dai GRI Standards.

Torino, 17 marzo 2021

EY S.p.A.



Stefania Boschetti  
(Revisore Legale)

**CONSOLIDATED FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES OF THE BASICNET GROUP  
AT DECEMBER 31, 2020**

**CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES**

In accordance with Consob Resolution No. 15519 of July 27, 2006 the transactions with related parties are described at Note 51.

**BASICNET GROUP CONSOLIDATED INCOME STATEMENT**

(Euro thousands)

	<i>Not e</i>	FY 2020		FY 2019		Changes	
			%		%		%
Consolidated direct sales	(9)	213,756	100.00	250,148	100.00	(36,393)	(14.55)
Cost of sales	(10)	(127,125)	(59.47)	(142,954)	(57.15)	15,828	11.07
<b>GROSS MARGIN</b>		<b>86,631</b>	<b>40.53</b>	<b>107,194</b>	<b>42.85</b>	<b>(20,563)</b>	<b>(19.18)</b>
Royalties and sourcing commissions	(11)	45,975	21.51	55,551	22.21	(9,577)	(17.24)
Other income	(12)	8,490	3.97	6,616	2.64	1,875	28.34
Sponsorship and media costs	(13)	(38,284)	(17.91)	(42,186)	(16.86)	3,902	9.25
Personnel costs	(14)	(28,893)	(13.52)	(32,161)	(12.86)	3,268	10.16
Selling, general and administrative costs, royalties expenses	(15)	(54,092)	(25.31)	(52,493)	(20.98)	(1,599)	(3.05)
Amortisation & Depreciation	(16)	(12,276)	(5.74)	(11,964)	(4.78)	(311)	(2.60)
<b>EBIT</b>		<b>7,551</b>	<b>3.53</b>	<b>30,557</b>	<b>12.22</b>	<b>(23,007)</b>	<b>(75.29)</b>
Net financial income (charges)	(17)	(1,707)	(0.80)	(1,160)	(0.46)	(547)	(47.18)
Profit/(loss) of equity investments	(18)	933	0.44	(25)	(0.01)	958	n.a.
<b>PROFIT BEFORE TAXES</b>		<b>6,777</b>	<b>3.17</b>	<b>29,372</b>	<b>11.74</b>	<b>(22,596)</b>	<b>(76.93)</b>
Income taxes	(19)	1,804	0.84	(8,319)	(3.33)	10,123	121.68
<b>NET PROFIT FOR THE YEAR</b>		<b>8,581</b>	<b>4.01</b>	<b>21,053</b>	<b>8.42</b>	<b>(12,472)</b>	<b>(59.24)</b>
<b>Earnings per share</b>	(20)						
– basic		<b>0.1635</b>		<b>0.3919</b>		<b>(0.228)</b>	<b>(58.29)</b>
– diluted		<b>0.1635</b>		<b>0.3919</b>		<b>(0.228)</b>	<b>(58.29)</b>

**CONSOLIDATED COMPREHENSIVE INCOME STATEMENT***(Euro thousands)*

	<i>Note</i>	<b>FY 2020</b>	<b>FY 2019</b>
<b><i>Profit for the year (A)</i></b>		<b>8,581</b>	<b>21,053</b>
Effective portion of the Gains/(losses) on cash flow hedges		(2,358)	(825)
Re-measurement of post-employment benefits (IAS 19) (*)		6	(162)
Gains/(losses) from translation of accounts of foreign subsidiaries		(785)	(8)
Tax effect on other profits/(losses)		583	310
<b><i>Total other gains/(losses), net of tax effect (B)</i></b>	<i>(33)</i>	<b>(2,554)</b>	<b>(685)</b>
<b>Total Comprehensive Profit (A)+(B)</b>		<b>6,027</b>	<b>20,368</b>

(\*) items which may not be reclassified to the profit and loss account

**BASICNET GROUP CONSOLIDATED BALANCE SHEET***(Euro thousands)*

<b>ASSETS</b>	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Intangible assets	(21)	65,380	53,184
Rights-of-use	(22)	22,082	18,066
Goodwill	(23)	11,907	12,206
Property, plant and equipment	(24)	45,690	31,761
Equity invest. & other financial assets	(25)	765	1,051
Interests in joint ventures	(26)	192	217
Deferred tax assets	(27)	3,419	329
<b>Total non-current assets</b>		<b>149,435</b>	<b>116,814</b>
Net inventories	(28)	62,194	66,757
Trade receivables	(29)	53,050	68,560
Other current assets	(30)	10,263	10,887
Prepayments	(31)	13,433	14,517
Cash and cash equivalents	(32)	33,652	15,235
Derivative financial instruments		-	465
<b>Total current assets</b>		<b>172,592</b>	<b>176,421</b>
<b>TOTAL ASSETS</b>		<b>322,027</b>	<b>293,235</b>
<b>LIABILITIES</b>	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Share capital		31,717	31,717
Reserve for treasury shares in portfolio		(24,679)	(22,225)
Other reserves		103,658	91,196
Net Profit		8,581	21,053
<b>TOTAL SHAREHOLDERS' EQUITY</b>	(33)	<b>119,277</b>	<b>121,741</b>
Provisions for risks and charges	(34)	229	227
Loans	(35)	44,387	19,939
Payables for rights-of-use	(37)	23,097	19,287
Other financial payables	(38)	-	2,839
Employee and Director benefits	(39)	4,062	3,408
Deferred tax liabilities		-	-
Other non-current liabilities	(40)	1,381	1,937
<b>Total non-current liabilities</b>		<b>73,156</b>	<b>47,637</b>
Bank payables	(36)	48,330	51,444
Trade payables	(41)	55,925	46,492
Tax payables	(42)	5,805	7,585
Other current liabilities	(43)	12,020	11,227
Accrued expenses	(44)	5,274	6,761
Derivative financial instruments	(45)	2,240	348
<b>Total current liabilities</b>		<b>129,594</b>	<b>123,857</b>
<b>TOTAL LIABILITIES</b>		<b>202,750</b>	<b>171,494</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>322,027</b>	<b>293,235</b>



**CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP***(Euro thousands)*

	December 31, 2020	December 31, 2019
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(27,040)</b>	<b>(23,419)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	8,581	21,053
Amortisation & Depreciation	12,276	11,964
Profit/(loss) of equity investments	(933)	(25)
Changes in working capital:		
(Increase) decrease in trade receivables	15,510	12,874
(Increase) decrease in inventories	4,545	(7,626)
(Increase) decrease in other receivables	(1,469)	1,314
. Increase (decrease) in trade payables	8,382	(7,204)
. Increase (decrease) in other payables	(6,562)	(59)
Net changes in employee and director benefits	654	137
Others, net	(1,342)	383
	<b>39,642</b>	<b>32,811</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(4,000)	(5,478)
- intangible assets	(3,162)	(3,171)
- financial assets	-	4
- acquired brand K-Way Japan	(10,945)	-
- change in consolidation scope	(11,141)	(4,586)
Realisable value for fixed asset disposals:		
- tangible assets	77	31
- intangible assets	-	11
- financial assets	-	-
	<b>(29,171)</b>	<b>(13,189)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
New medium/long term loans	28,909	4,200
Loan repayments	(5,246)	(9,139)
Repayment of loans for rights-of-use	(3,965)	(5,162)
Repayment of Kappa Europe Group bond loan	-	(2,276)
Acquisition of treasury shares	(3,022)	(4,398)
Dividend payments	(6,372)	(6,468)
	<b>10,304</b>	<b>(23,243)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>20,775</b>	<b>(3,621)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(6,265)</b>	<b>(27,040)</b>

Interest paid for the year amounts to respectively Euro 634 thousand in 2020 and Euro 860 thousand in 2019, while income taxes paid in the year amount respectively to Euro 2.2 million in 2020 and Euro 1.2 million in 2019.

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

*(Euro thousands)*

	Share Capital	Treasury shares	Reserves & Retained earnings	Reserves				Net Result	Total Group Net Equity
				Translation reserve	Remeas. IAS 19	IFRS16 reserve	Cash flow hedge		
<b>Balance at December 31, 2018</b>	<b>31,717</b>	<b>(17,827)</b>	<b>76,948</b>	<b>1,332</b>	<b>(153)</b>	<b>-</b>	<b>(94)</b>	<b>21,014</b>	<b>112,937</b>
Allocation of result as per Shareholders' Meeting resolution of April 19, 2019									
- Reserves & Retained earnings		-	14,546	-	-	-	-	(14,546)	-
- Dividends distributed		-	-	-	-	-	-	(6,468)	(6,468)
Acquisition of treasury shares		(4,398)	-	-	-	-	-	-	(4,398)
2019 Result		-	-	-	-	-	-	21,053	21,053
First-time application IFRS 16		-	-	-	-	(698)	-	-	(698)
Effect first consolidation Kappa Europe		-	(705)	-	-	(35)	740	-	-
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	(8)	-	-	-	-	(8)
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	(122)	-	-	-	(122)
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	(555)	-	(555)
<i>Total comprehensive income</i>				(8)	(122)	-	(555)	21,053	20,368
<b>Balance at December 31, 2019</b>	<b>31,717</b>	<b>(22,225)</b>	<b>90,789</b>	<b>1,324</b>	<b>(275)</b>	<b>(733)</b>	<b>91</b>	<b>21,053</b>	<b>121,741</b>
Allocation of result as per Shareholders' AGM resolution of June 26, 2020									
- Reserves & Retained earnings		-	14,677	-	-	-	-	(14,677)	-
- Dividends distributed		-	-	-	-	-	-	(6,376)	(6,376)
Acquisition of treasury shares		(3,022)	-	-	-	-	-	-	(3,022)
Own equity transaction		568	232	-	-	-	-	-	800
2020 Result		-	-	-	-	-	-	8,581	8,581
Other changes/correction of errors from previous years		-	49	-	-	-	-	-	49
Changes in the consolidation scope		-	56	-	-	-	-	-	56
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	(785)	-	-	-	-	(785)
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	5	-	-	-	5
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	(1,773)	-	(1,773)
<i>Total comprehensive income</i>		-	-	(785)	5	-	(1,773)	8,581	6,027
<b>Balance at December 31, 2020</b>	<b>31,717</b>	<b>(24,679)</b>	<b>105,803</b>	<b>539</b>	<b>(270)</b>	<b>(733)</b>	<b>(1,682)</b>	<b>8,581</b>	<b>119,276</b>

**CONSOLIDATED NET FINANCIAL POSITION***(Euro thousands)*

	December 31, 2020	December 31, 2019
Cash and cash equivalents	33,652	15,235
Bank overdrafts and bills	(19,929)	(17,094)
Import advances	(19,989)	(25,181)
<i>Sub-total net liquidity available</i>	<i>(6,266)</i>	<i>(27,040)</i>
Short-term portion of medium/long-term loans	(8,412)	(9,169)
<b>Short-term net financial position</b>	<b>(14,678)</b>	<b>(36,209)</b>
Medium/long term loans	(43,709)	(19,289)
Payables for exercise future share acquisitions	-	(2,839)
Payables for rights-of-use	(23,097)	(19,287)
Finance lease payables	(678)	(651)
<i>Sub-total loans and leasing</i>	<i>(67,484)</i>	<i>(42,065)</i>
<b>Consolidated Net Financial Position</b>	<b>(82,162)</b>	<b>(78,274)</b>

The statement required by Consob Communication No. 6064293 of July 28, 2006 is reported below.

	December 31, 2020	December 31, 2019
A. Cash	87	174
B. Other cash equivalents	33,565	15,061
C. Securities held for trading	-	-
<b>D. Cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>33,652</b>	<b>15,235</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>
F. Current bank payables	(39,918)	(42,275)
G. Current portion of non-current debt	(8,412)	(9,169)
H. Other current financial payables	-	-
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>(48,330)</b>	<b>(51,444)</b>
<b>J. Net current financial debt (I)-(E)-(D)</b>	<b>(14,678)</b>	<b>(36,209)</b>
K. Non-current bank payables	(67,484)	(22,778)
L. Bonds issued	-	-
M. Other non-current payables	(2,240)	(19,170)
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>(69,724)</b>	<b>(41,948)</b>
<b>O. Net financial debt (J)+(N)</b>	<b>(84,402)</b>	<b>(78,157)</b>

The net financial debt differs from the consolidated net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Note 45).

**CHANGES IN NET FINANCIAL POSITION***(Euro thousands)*

	<b>December 31, 2020</b>	<b>December 31, 2019</b>
<b>A) OPENING NET FINANCIAL POSITION</b>	<b>(78,274)</b>	<b>(51,681)</b>
<b>Effects first-time application IFRS 16</b>	<b>-</b>	<b>(18,046)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	8,581	21,053
Amortisation & Depreciation	12,276	11,964
Profit/(loss) of equity investments	(933)	(25)
Changes in working capital:	20,406	(701)
Net changes in employee and director benefits	654	137
Others, net	(1,341)	383
	<b>39,642</b>	<b>32,811</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed asset investments	(7,162)	(8,645)
Purchase brand Kappa Japan	(10,945)	-
Aprica acquisition	(10,466)	-
Change in consolidation scope	(675)	(17,371)
Realisable value for fixed asset disposals	77	42
	<b>(29,171)</b>	<b>(25,974)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Registration payables for Right-of-use	(9,143)	(4,519)
Income from right-of-use	1,340	-
Proceeds from Kappa Europe put/call option	2,839	-
Acquisition of treasury shares	(3,022)	(4,398)
Dividend payments	(6,372)	(6,468)
	<b>(14,358)</b>	<b>(15,384)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>(3,888)</b>	<b>(8,547)</b>
<b>F) CLOSING NET FINANCIAL POSITION</b>	<b>(82,162)</b>	<b>(78,274)</b>

## EXPLANATORY NOTES

### 1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin, listed on the Italian Stock Exchange since November 17, 1999 and its subsidiaries, operate in the sports and casual clothing, footwear and accessories sector through the brands Kappa, Robe di Kappa, Jesus Jeans, K-Way, Superga, Sabelt, Briko and Sebago. Group activities involve the development of the value of the brands and the distribution of their products through a global network of independent licensees.

The duration of BasicNet S.p.A. is fixed by the company by-laws until December 31, 2050.

The publication of the consolidated financial statements of BasicNet as at December 31, 2020 was approved by the Board of Directors on March 2, 2021.

### 2. FORM AND CONTENT

The main accounting principles adopted in the preparation of the consolidated financial statements and Group financial reporting are described below.

This document has been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Union. IFRS refers to all the revised International Accounting Standards (IAS) and all of the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) - previously known as the Standing Interpretations Committee (“SIC”).

The financial statements are prepared under the historical cost convention (modified where applicable for the valuation of certain financial instruments), as well as on the going concern assumption.

The Group consolidated financial statements include the financial statements at December 31, 2020 of BasicNet S.p.A. and all the Italian and foreign companies in which the Parent Company holds control - directly or indirectly. For the financial statements of the US, Asian, Spanish, English, Swiss and French subsidiaries, which utilise local accounting standards, as not obliged to adopt IAS/IFRS, the appropriate adjustments were made for the preparation of the consolidated financial statements in accordance with international accounting standards.

The accounting policies utilised for the preparation of the Consolidated Financial Statements at December 31, 2020 are the same as those utilised for the previous year, with the exception of the adoption of new standards and amendments from January 1, 2020. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

#### **Accounting standards, amendments and interpretations applied from January 1, 2020**

##### Amendments to IFRS 3 *Definition of a business*

The amendments to IFRS 3 clarify that to be considered a business, any integrated set of activities and assets must include at least one underlying input and process that together significantly contribute to the creation of an output. It has also been made clear that a business can exist without including all the inputs and processes needed to create an output. These amendments did not have any impact on the Group consolidated financial statements, but may have a future effect should the Group undertake any further business combinations.

##### Amendments to IFRS 7, IFRS 9 and IAS 39 *Reform of the interest rates benchmark*

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by benchmark interest rate reform. A hedging relationship that is impacted by the reform is subject to uncertainties about the timing and magnitude of cash flows based on benchmark rates with respect to the hedged instrument. These amendments do not have an impact on the Group consolidated financial statements.

Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments provide a new definition of material, stating that “information is material if it is reasonable to assume that its omission, misrepresentation or concealment could influence the decisions that the main users of financial statements prepared for general purposes make on the basis of those financial statements, which provide financial information about the specific reporting entity”.

Materiality depends on the nature or extent of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole. Information is concealed if it is disclosed in such a way as to have, for the main users of the financial statements, a similar effect to the omission or misstatement of the same information. These amendments did not have any impact on the Group consolidated financial statements, and are not expected to have any future impact.

Conceptual Framework for Financial Reporting, published March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained within it take precedence over the concepts or requirements of a standard. The purpose of the Conceptual Framework is to support the IASB in developing standards, to help those preparing accounts to develop consistent accounting policies where there are no standards applicable in the specific circumstances, and to help all parties involved to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. These amendments did not have any impact on the Group consolidated financial statements.

Amendment to IFRS 16 *Covid-19 - Related Rent Concessions*

On May 28, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a tenant may choose not to consider whether the reduction in lease payments constitutes a contractual modification. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.

The amendments are applicable to financial statements for which the accounting period begins on or after June 1, 2020, with early adoption permitted. The Group applied the practical expedient, the effects of which are illustrated in Notes 8 and 37.

**3. FORMAT OF THE FINANCIAL STATEMENTS**

The BasicNet Group presents its income statement by nature of cost items; the assets and liabilities are classified as current or non-current. The statement of cash flows was prepared applying the indirect method. The format of the consolidated financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements. With reference to Consob Motion No. 15519 of July 27, 2006, transactions with related parties are described in Note 50 of the consolidated financial statements.

**4. CONSOLIDATION PRINCIPLES**

The consolidated financial statements were prepared including the financial statements at December 31, 2020 of the Group companies included in the consolidation scope, appropriately adjusted in accordance with the accounting principles adopted by the Parent Company.

The consolidated financial statements of the BasicNet Group are presented in Euro thousands, where not otherwise stated; the Euro is the functional currency of the Parent Company and the majority of the consolidated companies.

Financial statements in currencies other than the Euro are translated into the Euro applying the average exchange rate for the year for the income statement and the exchange rate at the date of the operation in the case of significant non-recurring transactions. The balance sheet accounts are translated at the year-end exchange rate. The differences arising from the translation into Euro of the financial statements prepared in currencies other than the Euro are recorded in a specific reserve in the Comprehensive Income Statement.

The exchange rates applied are as follows (for 1 Euro):

Currency	FY 2020		FY 2019	
	Average	At year end	Average	At year end
US Dollar	1.1451	1.2271	1.1192	1.1234
HK Dollar	8.8825	9.5142	8.7672	8.7473
Japanese Yen	121.8002	126.4900	121.8976	121.9400
UK Sterling	0.8888	0.8990	0.8754	0.8508
Swiss Franc	1.0708	1.0802	1.1108	1.0854
Vietnamese Dong	27,191	28,331	26,316	26,042

The criteria adopted for the consolidation were as follows:

- the assets and liabilities, as well as the income and charges of the financial statements consolidated under the line-by-line method are included in the financial statements of the Group, without consideration of the holding in the subsidiary. The carrying value of the investments are eliminated against the relative net equity of the subsidiaries.
- the positive differences resulting from the elimination of the investments against the book net equity at the acquisition date is allocated to the higher values attributed to the assets and liabilities acquired, and the residual part to goodwill. On the first-time adoption of IFRS, the Group has chosen not to apply *IFRS 3 - Business combinations* in retrospective manner for the acquisitions made prior to January 1, 2004;
- the payables/receivables, costs/revenues between consolidated companies and the gains/losses resulting from inter-company operations are eliminated, as are the effects of mergers and the sale of business units between companies in the consolidation scope.

As illustrated in Attachment 2, at December 31, 2020 the Group is comprised solely of subsidiaries owned directly or indirectly by the Parent Company BasicNet S.p.A., or jointly controlled; there are no associated companies or investments in structured entities.

Control exists where the Parent Company BasicNet S.p.A. simultaneously:

- exercises decision-making power over the investee, i.e. has the capacity to manage its main activities, therefore those activities which have a significant impact on the investee's results;
- has the right to variable profits or losses from its investment in the entity;
- has the capacity to utilise its decision-making power to establish the amount of profits devolving from its investment in the entity.

The existence of control is verified where events or circumstances indicate an alteration to one or more of the three factors determining control.

Investments in associates and joint ventures are consolidated at equity, as established respectively by IAS 28 - *Investments in associates and joint ventures* and by IFRS 11 - *Joint arrangements*.

An associate is a company in which the Group holds at least 20% of voting rights or exercises significant influence - however not control or joint control - on the financial and operational policies. A joint venture is a joint control agreement, in which the parties who jointly hold control maintain rights on the net assets of the entity. Joint control concerns the sharing, under an agreement, of the control of economic activities, which exists only where the decisions regarding such activities requires unanimity by all parties sharing control.



Associates and joint ventures are consolidated from the date in which significant influence or joint control begins and until the discontinuation of such. Under the equity method, the investment in an associated company or a joint venture is initially recognised at cost and subsequently the carrying amount is increased or decreased to recognise the associated company's share of the profit or loss after the date of acquisition. The share of profits (losses) of the investment is recognised to the consolidated income statements. Dividends received from the investee reduce the book value of the investment.

If the share of losses of an entity in an associate or a joint venture is equal to or greater than its interest in the associate or joint venture the entity discontinues the recognition of its share of further losses. After the investor's interest is reduced to zero, additional losses are provisioned and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture. If the associate or the joint venture subsequently reports profits, the investor resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

### **Consolidation scope**

The consolidation scope includes the Parent company BasicNet S.p.A. and the Italian and foreign subsidiaries in which BasicNet S.p.A. exercises direct, or indirect, control. Attachment 2 contains a list of consolidated companies under the line-by-line method, as well as the complete list of Group companies, registered office, corporate purpose, share capital and direct and indirect holdings.

### **Information by business segment and geographic area**

Three operating segments were identified within the BasicNet Group: i) license and brand management, (ii) proprietary licensees and (iii) property management. The relevant information is reported in Note 7.

The information by geographic area has significance for the Group in relation to royalty income and direct sales, and therefore was included for the two respective items. The breakdown of licensee aggregate sales by geographic area, from which the royalties derive, is reported in the Directors' Report.

## **5. ACCOUNTING POLICIES**

The present financial statements were prepared on the going concern basis, and in accordance with the accruals principle.

The main accounting policies adopted for the preparation of the consolidated financial statements at December 31, 2020, in line with those utilised in the previous year, are disclosed below.

### **Revenue recognition**

Revenues derive from Group operations in the ordinary course of business and comprise revenues from sales and services. Revenues are recognised net of sales tax, returns and discounts.

Revenues from contracts with customers are recognised when the control of the goods and services is transferred to the client for an amount which reflects the consideration that the Group expects to receive in exchange for these goods and services. The Group has concluded that generally it acts as the Principal for the agreements from which it receives revenues, as usually it controls the goods and services before their transfer to the customer. In calculating the sales transaction price for goods, the Group considers the effects from variable fees, significant financial components and non-monetary fees. Where the fee concluded in the contract includes a variable amount, such as that connected to a right of return, the Group estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the customer.

Sales to Group brand stores managed by third parties, on consignment, are recognised on the sale of the goods by the store to the final consumer, in accordance with IFRS 15.

Royalties and sourcing commissions, including the minimum guaranteed component, are recognised on an accruals basis in accordance with the underlying contracts and consistent with the state of advancement of the sales or the production of the licensees.

### **Recognition of costs and expenses**

Costs and expenses are recognised in accordance with the accruals principle.

Costs associated with sponsorship contracts paid each year are recognised in line with the contractual conditions.

Cost relating to the preparation and presentation of sample collections are recognised in the income statement in the year in which the sales of the relative collections are realised. Any differences are recorded through accruals.

Advertising campaign costs undertaken to drive orders by the salesforce, in accordance with current interpretations of IAS/IFRS, are directly expensed at the moment of the campaign, rather than in correlation to the relative revenues, which will only be recognised on the subsequent shipment of the orders received, although this second method better illustrates the correlation with the advertising campaign activity.

### **Interest income and expenses, and income and charges**

Interest income and expenses and other income and expenses are recorded and shown in the financial statements on the accrual basis.

In accordance with IAS 23 – *Borrowing costs*, the financial charges directly attributable to the purchase, construction and production of the asset which requires a significant amount of time before use or sale are capitalised together with the value of the asset. Such an event has not arisen up to the present moment for the Group. If these conditions are not met the financial charges are expensed directly to the income statement.

### **Translation of balances in foreign currencies**

The receivables and payables originally expressed in foreign currencies are translated into Euro at the exchange rate when the transaction originated. Exchange differences arising on collections and payments in foreign currencies are recorded in the income statement.

Revenues and income, costs and charges related to currency transactions are recorded at the exchange rate at the transaction date.

At the end of the period, the assets and liabilities valued in foreign currencies, with the exception of fixed assets, are recorded at the exchange rates at the balance sheet date and the relative gains or losses on exchange are recorded in the income statement.

**Income taxes**

Current income taxes include all the taxes calculated on the assessable income of the Group. Income taxes are recognised in profit and loss, except where they relate to items charged or credited directly to equity, in which case the tax effect is also recognised directly in equity.

Other taxes not related to income, such as taxes on property and share capital, are included under operating charges.

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the consolidated financial statements. Deferred tax assets, including those relating to losses carried forward, for the portion not offset by deferred tax liabilities, are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. Deferred tax assets and liabilities are determined with the tax rates that are expected to be applied, in accordance with the regulations of the countries in which the Group operates, in the years in which the temporary differences will be realised or settled. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

The Parent Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. Other taxes not related to income, such as taxes on property and share capital, are included under operating charges.

Similarly, the French group companies have opted to join the tax consolidation system (*'Régime fiscal des groupes de sociétés'*) provided for in Articles 223-A to 223-U of the *Code général des impôts* (CGI): Kappa Europe S.A.S. operates as the consolidating company.

On September 30, 2019, the Company filed an application to renew the benefits provided by the "Patent Box" regulations for the use of intangible assets for the tax periods from 2020 to 2024, which was followed at the end of the financial year by a subsequent application for the prior definition, on an adversarial basis, of the methods and criteria for determining the "economic contribution" to the production of business income or loss, deriving from the "direct" use of new intangible assets.

**Earnings per share/ Diluted earnings per share**

Earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the weighted average ordinary shares in circulation during the period.

The diluted earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the average weighted number of shares outstanding, taking into account the effects of all the potential ordinary shares with dilution effects. In 2020, there were no diluting effects on the shares.

**Provisions and contingent liabilities**

The Group may be involved in legal and tax disputes, concerning specific issues and in various jurisdictions. Considering the uncertainties relating to these issues, it is difficult to predict with certainty any future payments required. In addition, the Group has instigated legal action for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Group often derive from complex legal issues, which are often subject to varying degrees of uncertainty, including the facts and circumstances relating to each case, jurisprudence and different applicable laws.

In the normal course of business, Management consults with its legal consultants and experts on legal matters.

The Group accrues a liability against disputes when it considers it is probable that there will be a financial payment made and when the amount of the losses arising can be reasonably estimated.

The contingent liabilities are not recorded in the financial statements, but are reported as a disclosure in the Notes (Note 53) unless the probability of payment is remote. In accordance with paragraph 10 of *IAS 37 – Provisions, contingent liabilities and contingent assets* a contingent liability is (a) a possible obligation which derives from past events and whose existence will be confirmed only on the occurrence or otherwise of one or more future uncertain events, not entirely under the control of the enterprise, or (b) a current obligation which derives from past events but which cannot be recorded in the financial statements as the payment is improbable or cannot be reliably estimated.

### **Use of estimates**

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and contingent liabilities at the balance sheet date. The actual results may differ from such estimates.

Estimates are utilised to measure intangible and tangible assets subject to impairment tests, in addition to recognise provisions on doubtful debts, inventory obsolescence, amortisation and depreciation, the write-down of assets, employee benefits and income taxes.

The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the income statement.

### **Intangible assets**

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. Intangible assets are recognised at purchase and/or production cost, including the costs of bringing the asset to its current use net of accumulated amortisation and any loss in value. Amortisation begins when the asset is available for use and is recognised on a straight-line basis over the residual estimated useful life of the asset.

#### **Software development**

Software acquired and IT programmes developed internally are amortised over five years, while the costs incurred to maintain or upgrade the original operational standard are expensed in the year and are not capitalised.

#### **Concessions, brands and similar rights**

The brands Kappa, Robe di Kappa, Superga, K-Way, Briko and Sebago are considered intangible assets with indefinite useful life; as such these assets are not amortised but subject to an impairment test at least annually.

The brands Sabelt, included in the value of the relative investment, and Jesus Jeans, which have not yet reached a position similar to those of the principal brands, are amortised over a period of 20 years.

The patent rights are amortised over ten years.

#### **Other intangible assets**

Other intangible assets mainly consist of leasehold improvements and are amortised on the basis of the relevant lease contract.

### **Goodwill**

In the case of business combinations, the assets, the liabilities and the contingent liabilities acquired and identifiable are recorded at their fair value at the date of acquisition. The positive difference between the acquisition cost and the portion held by the Group of the present value of the assets and liabilities is classified as goodwill and recorded in the financial statements as an intangible asset. Any negative difference (“negative goodwill”) is recognised in the income statement at the date of acquisition.

Goodwill is not amortised, but is subject annually, or more frequently if specific events or circumstances indicate the possibility of having incurred an impairment, to verifications of any reduction in value, as provided by *IAS 36 Reduction in value of assets*. After initial recognition, goodwill is measured at cost less any loss in value. The impairment of goodwill may not be written back.

This category includes the amounts paid by the Group to sub-enter into the contractual positions of directly managed and franchising stores (key money). This commercial goodwill, where related to commercial positions of value, is recognised to the consolidated financial statements as an intangible asset with indefinite useful life, and subject to an impairment test at least once a year, or more frequently in the presence of impairment indicators, comparing the book value with the higher between the value in use and the fair value less selling costs, with this latter also determined in view of valuations made by independent experts. Commercial goodwill relating to other positions is amortised over the duration of the relative rental contract.

### **Property, plant and equipment**

Property, plant and equipment are recorded at purchase or production costs, including accessory charges and direct and indirect costs, for the amount reasonably attributable to the assets.

Subsequent expenditures are only capitalised where they increase the future economic benefits of the asset to which they relate. All other costs are expensed as incurred.

Property, plant and equipment are amortised on a straight-line basis over the estimated useful life of each asset. The depreciation rates by asset category are shown below:

<b>Description</b>	<b>Estimated useful life years</b>
Property	33
Plant & machinery	8
Furniture and furnishings	3-8
Motor vehicles	4
EDP	3-8

Fixed assets which at the balance sheet date are lower than the book value are recorded at this lower value, which however may not be maintained at this value in subsequent periods if the reasons for the adjustment no longer exist.

Ordinary maintenance costs are fully charged to the income statement.

Advances and costs for property, plant and equipment in progress which are not yet utilised in the operating activities are reported separately.

The historic value of land is not depreciated.

### **Leased assets**

#### **Usage right assets**

The Group recognises the usage right assets at the initial leasing date (i.e. the date on which the underlying asset is available for use). The usage right assets are measured at cost, net of accumulated amortisation and impairments, adjusted for any remeasurement of the lease liabilities.

The cost of the usage right assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. Unless the Group does not have the reasonable certainty of obtaining ownership of the leased asset on conclusion of the leasing contract, the usage right assets are amortised on a straight-line basis for a period covering the lesser between the estimated useful life and the lease duration.

Right-of-use assets are subject to impairment.

#### Lease liabilities

At the lease commencement date, the Group recognises the lease liabilities measuring them at the present value of the payments due for the lease not yet settled at that date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Group and the lease termination penalty payments, where its duration takes account of the exercise by the Group of the termination option on the lease.

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs. In calculating the present value of the payments due, the Group uses the marginal loan rate at the commencement date where the implied interest rate may not be easily determined.

After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease payables is restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the fixed payments in substance; it is in addition restated amid changes to the valuation of the acquisition of the underlying asset.

#### Short-term leases and low value asset leases

The Group applies the exception for the recognition of short-term leases for machinery and equipment (i.e. leasing with a duration of 12 months or less from the commencement date and not containing a purchase option). The Group has also applied the exception for leases concerning assets of a modest value with regards to the leasing contracts on office equipment whose value is considered low (i.e. below Euro 5,000).

The short-term lease charges and those for low value assets are recognised as costs on a straight-line basis over the lease duration.

#### **Impairments**

The carrying value of the assets of the Group are measured at each reporting date to determine whether there has been a loss in value, in which case an estimate is made of the recoverable value of the asset. A loss in value (impairment) is recorded in the income statement when the carrying value of an asset or a cash-generating unit exceeds its recoverable value.

The indefinite intangible assets (including goodwill) are tested annually and whenever there is an indication of a possible loss, in order to determine whether a loss in value has occurred.

#### **Measuring recoverable amount**

The Group's principal objective is the growth in value of its own brands, managed within a portfolio, with the distribution of the associated products through a global network of licensee producers and distributors.

Within this business model, for the purposes of the impairment test of the BasicNet Group at consolidated level, the CGU's were identified as the brands of the company.

The impairment test was carried out comparing the book value of the net assets of each CGU with their recoverable value, defined as the higher between their value in use and the fair value less selling costs.

The value in use is determined discounting to the WACC the cash flows generated from each CGU. This latter are identified with the first level gross operating margin, less investments in fixed assets and notional taxes, generated by each brand through royalties, sourcing commissions and direct sales. The changes in working capital are not included in these cash flows, in line with the underlying carrying amount and the assumption that these changes approximate zero.

The operating costs are allocated to the related CGU or divided based on determined and certain criteria. The costs not specifically allocated, or whose division based on analytic criteria does not reflect the effective period of use, are tested at Group level.

For the years beyond the Plan a terminal value is estimated applying the perpetual yield model to the cash flows of the final year. The growth rate utilised in the calculation of the terminal value, in accordance with the provisions of paragraph 36 of IAS 36, reflect the growth trend for the demand of clothing goods (i.e. clothes and footwear) at international level. In line with the most common valuation practices adopted, in the calculation of the terminal value the changes in the net working capital are assumed as zero and the investments equal to depreciation.

The BasicNet Group, on completion of the tests described above, carries out a second level test in relation to the presence of permanent loss in value on the totality of the consolidated assets.

### **Write-back of value**

This loss is restated if the elements that generated the loss no longer exist. The recoverable value is recorded in the income statement adjusting the book value of the asset to its recoverable value. This latter must not be above the value which would have been determined, net of depreciation, if no loss in value of the asset had been recorded in previous years.

### **Investments**

Investments in associates and joint ventures are measured under the equity method. The share of cost exceeding the net equity of the investee at the acquisition date is treated in a similar manner as that described for the consolidation criteria.

The non-consolidated investments other than associates and joint ventures, non-listed, are measured under the cost method less any losses in value, as their fair value may not be reliably determined. The original value is restored in future years should the reason for the write-down no longer exist.

Financial assets consist of loans are recorded at their estimated realisable value.

### **Net inventories**

Inventories are measured at the lower of purchase or production cost and their net realisable value. The cost is calculated using the weighted average cost method.

Inventories include incidental charges and direct and indirect costs that can be reasonably allocated. Obsolete and slow-moving inventories are written down in relation to their possible utilisation or realisable value.



**Trade receivables**

Receivables recorded under current assets are stated at their nominal value, which substantially coincides with the amortised cost. The initial value is subsequently adjusted to take account of any write-downs, which reflects the bad debt estimate. The Group applies the simplified approach to calculating expected losses, fully recognising the expected loss at the reporting date according to historic information supplemented by forward looking considerations. Medium/long-term receivables which include an implicit interest component are discounted utilising an appropriate market rate. Receivables transferred without recourse, in which all the risks and benefits are substantially transferred by the owner of the financial assets to the factoring company, are reversed in the financial statements at their nominal value.

**Cash and Cash Equivalents**

The liquid assets principally relate to current bank accounts and cash. They are recorded for amounts effectively available at year end.

The cash equivalents are invested in highly liquid temporary financial instruments.

**Prepayments and accrued income**

The account includes amounts related to two accounting periods, in accordance with the accruals concept.

**Treasury shares**

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognised as equity movements.

**Provisions for risks and charges**

Provisions for risks and charges are recorded in the balance sheet only when a legal or implicit obligation exists deriving from a past event that determines the commitment of resources to produce economic benefits for their compliance and a reliable estimate of the amount can be determined.

**Employee benefits**

The Post-Employment Benefit in accordance with Italian legislation is quantified as a defined benefit plan and is measured in accordance with the “Projected Unit Credit Method”.

From January 1, 2007, this liability refers exclusively to the portion of the Post-Employment Benefit, matured up to December 31, 2006, which following the complementary pension reform (Legislative Decree No. 252 of December 5, 2005) continues to constitute an obligation of the company. Following the entry into force of the above-mentioned reform as enacted by Law No. 296 of December 27, 2006 (2007 Finance Law), the liability, as concerning services already completely matured, was restated without applying the pro-rata of the employment service and without considering, in the actuarial calculation, the components relating to future salary increases.

On June 16, 2011, the IASB issued an amendment to IAS 19 *Employee Benefits*. The new version of IAS 19 requires, in particular, for post-employment benefits, the recognition of the changes of the actuarial gains/losses under other items of the Comprehensive Income Statement.

The cost relating to employment services for the companies of the Group with less than 50 employees, as well as the interest on the “time value” component in the actuarial calculations will remain in the profit and loss account.

The portion of the Post-Employment Benefit paid to a supplementary pension fund is considered a defined contribution plan as the obligation of the company towards the employee ceases with the payment of the amount matured to the funds. Also the portion of the Post-Employment Benefit paid to the INPS Treasury fund is recorded as a defined contribution plan.

**Payables**

Financial payables are recorded at their amortised cost. The book value of the trade and other payables, recognised at nominal value which approximates the amortised cost, at the balance sheet date approximates their fair value.

**Cash flow hedges and accounting of relative operations**

The BasicNet Group utilises financial instruments to hedge interest rates on some loans and to hedge against fluctuations in the Euro/USD exchange rates on the purchases of products for sale, not adequately hedged by royalties and sourcing commission income.

These instruments are initially recorded at their fair value, and subsequently measured according to whether they are “hedged” or “not hedged” as per IFRS 9.

It is recalled that the BasicNet Group does not undertake derivative contracts for speculative purposes.

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

The BasicNet Group, before signing a hedge contract, undertakes a close examination of the relationship between the hedge instrument and the item hedged, in view of the objectives to reduce the risk, also evaluating the existence and the continuation over the life of the financial instrument of the effectiveness requirements, necessary for the hedge accounting.

After their initial recognition, they are accounted as follows:

a) Fair value hedges

The changes in their fair value are recognised in the income statement, together with the changes in the fair value of the relative assets and liabilities hedged.

b) Cash flow hedges

The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement.

The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

c) Derivative financial instruments which do not have the effectiveness requirements for hedge accounting

The derivative financial instruments which do not comply with the requirements of IFRS 9 for the identification of the hedge, where present, are classified in the category of financial assets and liabilities measured at fair value through the profit and loss account. The Group does not utilise financial instruments not for hedging purposes.

**Hierarchy of Fair Value according to IFRS 7**

IFRS 7 requires that the classification of financial instruments measured at fair value is determined based on the quality of the input sources used in the valuation.

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed (“unadjusted”) in active markets for identical assets or liabilities;

- *level 2*: determination of fair value based on other inputs than the listed prices included in “level 1” but which are directly or indirectly observable. This category includes the instruments with which the Group mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data (“unobservable inputs”). There are no financial instruments measured in this manner.

## 6. **OTHER INFORMATION**

The subsequent events to the end of the year and the outlook for the current year are reported in the Directors’ Report.

### Information required by Law No. 124 of August 4, 2017, Article 1, paragraph 125

In accordance with Article 1, paragraph 125 of Law 124/2017, the Group has not received any grants from public bodies in excess of Euro 10 thousand.

Grants obtained as part of the measures to contain the effects of Covid-19 in support of businesses were provided under provisions of a general nature and therefore do not fall within the scope of these regulations. The related effects are summarized in Note 8 below.

**EXPLANATORY NOTES TO THE INCOME STATEMENT****(IN EURO THOUSANDS UNLESS OTHERWISE STATED)****7. DISCLOSURE BY OPERATING SEGMENT**

The BasicNet Group identifies three operating segments:

- “Licenses and Brands”, which involves the management of overseas licensees and “sourcing centres” by the following Group companies: BasicNet S.p.A, Basic Properties America, Inc., BasicNet Asia Ltd., BasicNet Asia Company Limited (Vietnam) Ltd, Basic Trademark S.r.l, Jesus Jeans S.r.l., Fashion S.r.l., TOS S.r.l. and BasicAir S.r.l.;
- “Proprietary licensees”, which involves the direct management of the sales channels, both in terms of sales to retailers and consumers, through BasicItalia S.p.A. and its subsidiaries BasicRetail S.r.l., BasicRetail SUISSE S.A. and the Kappa Europe Group;
- “Property”, which includes the management of the Group's real estate properties. During the year a series of corporate transactions began to concentrate property ownership at BasicVillage. The transactions were completed in July and related to the merger by incorporation of Aprica Costruzioni S.r.l. (acquired in the first half year) and the partial spin-off of BasicItalia's property ownership business unit to BasicVillage S.p.A.

During the year the BasicNet Group has launched a corporate reorganisation project called "Back to the future", with the goal of concentrating in the company Basic Trademark the ownership of all the Group's brands, according to the original structure, which dates back to the acquisition of the Kappa<sup>®</sup>, and Robe di Kappa<sup>®</sup> brands and other minor brands from the MCT bankruptcy. Over time, a number of brands have been acquired directly by BasicNet (K-Way<sup>®</sup> and Briko<sup>®</sup>) and special purpose vehicles have been set up for the acquisition of the new brands, specifically Superga<sup>®</sup> and Sebago<sup>®</sup>.

The concentration of the proprietary brands at Basic Trademark S.r.l. allows for a restructuring to optimise the management and protection of the brands, without changing the ownership structure or the Group's capital structure.

At December 31, 2020, BasicProperties S.r.l. and SupergaTrademark S.r.l. have been incorporated into Basic Trademark S.r.l., while the Briko<sup>®</sup> and Jesus<sup>®</sup> Jeans brands have been transferred along with the investment in Fashion S.r.l. as well as the investment in TOS S.r.l..

<i>December 31, 2020</i>	<b>Licenses and brands</b>	<b>Proprietary licensees</b>	<b>Property</b>	<b>Inter-segment eliminations</b>	<b>Consolidated</b>
Direct sales – third parties	1,293	212,453	10	-	213,756
<i>Direct sales – inter-segment</i>	<i>2,487</i>	<i>237</i>	<i>5</i>	<i>(2,729)</i>	<i>-</i>
(Cost of sales)	(3,461)	(126,104)	(6)	2,446	(127,125)
<b>GROSS MARGIN</b>	<b>319</b>	<b>86,586</b>	<b>9</b>	<b>(283)</b>	<b>86,631</b>
Royalties and sourcing commissions – third parties	45,962	13	-	-	45,975
<i>Royalties and sourcing commissions – inter-segment</i>	<i>18,524</i>	<i>30</i>	<i>-</i>	<i>(18,554)</i>	<i>-</i>
Other income - third parties	3,820	3,951	2,938	-	10,709
<i>Other income – inter-segment</i>	<i>153</i>	<i>17,756</i>	<i>837</i>	<i>(20,965)</i>	<i>(2,219)</i>
(Sponsorship and media costs)	(21,969)	(33,896)	-	17,581	(38,284)
(Personnel costs)	(11,149)	(17,707)	(37)	-	(28,893)
(Selling, general and administrative costs, royalties expenses)	(22,365)	(49,436)	(2,224)	19,933	(54,092)
Amortisation & Depreciation	(4,424)	(8,653)	(1,298)	2,099	(12,276)
<b>EBIT</b>	<b>8,871</b>	<b>(1,356)</b>	<b>225</b>	<b>(189)</b>	<b>7,551</b>
Financial income	962	2,918	-	206	4,086
(Financial charges)	(2,369)	(3,227)	(197)	-	(5,793)
(Investment impairments)	-	-	-	-	-
Share of profit/(loss) of investments	(26)	959	-	-	933
<b>PROFIT BEFORE TAXES</b>	<b>7,438</b>	<b>(706)</b>	<b>28</b>	<b>17</b>	<b>6,777</b>
Income taxes	1,983	(170)	(7)	(2)	1,804
<b>NET PROFIT/(LOSS)</b>	<b>9,421</b>	<b>(876)</b>	<b>21</b>	<b>15</b>	<b>8,581</b>
<i>Significant non-cash items:</i>					
Income from right-of-use	-	1,343	-	-	1,343
Proceeds from Kappa Europe put/call option	-	2,839	-	-	2,839
Amortisation & Depreciation	(4,424)	(8,653)	(1,298)	2,099	(12,276)
Write-downs	-	-	-	-	-
<b>Total non-cash items</b>	<b>(4,424)</b>	<b>(4,471)</b>	<b>(1,298)</b>	<b>2,099</b>	<b>(8,094)</b>
<b>Investments in non-current assets</b>	<b>16,219</b>	<b>14,074</b>	<b>15,461</b>	<b>-</b>	<b>45,754</b>
<i>Segment assets and liabilities:</i>					
<b>Assets</b>	<b>226,044</b>	<b>213,810</b>	<b>36,391</b>	<b>(154,218)</b>	<b>322,027</b>
<b>Liabilities</b>	<b>99,370</b>	<b>196,463</b>	<b>26,318</b>	<b>(119,401)</b>	<b>202,750</b>

<i>December 31, 2019</i>	<b>Licenses and brands</b>	<b>Proprietary licensees</b>	<b>Property</b>	<b>Inter-segment eliminations</b>	<b>Consolidated</b>
Direct sales – third parties	1,939	248,209	-	-	250,148
<i>Direct sales – inter-segment</i>	<i>2,517</i>	<i>451</i>	<i>4</i>	<i>(2,972)</i>	-
(Cost of sales)	(4,363)	(141,065)	(4)	2,478	(142,954)
<b>GROSS MARGIN</b>	<b>93</b>	<b>107,595</b>	<b>-</b>	<b>(494)</b>	<b>107,194</b>
Royalties and sourcing commissions – third parties	55,540	11	-	-	55,551
<i>Royalties and sourcing commissions – inter-segment</i>	<i>21,807</i>	<i>-</i>	<i>-</i>	<i>(21,807)</i>	-
Other income - third parties	1,333	4,322	2,856	-	8,511
<i>Other income – inter-segment</i>	<i>329</i>	<i>15,875</i>	<i>813</i>	<i>(18,912)</i>	<i>(1,895)</i>
(Sponsorship and media costs)	(23,141)	(35,242)	-	16,197	(42,186)
(Personnel costs)	(11,410)	(20,711)	(40)	-	(32,161)
(Selling, general and administrative costs, royalties expenses)	(19,131)	(54,507)	(1,886)	23,031	(52,493)
Amortisation & Depreciation	(4,072)	(8,723)	(1,007)	1,838	(11,964)
<b>EBIT</b>	<b>21,348</b>	<b>8,620</b>	<b>736</b>	<b>(147)</b>	<b>30,557</b>
Financial income	1,132	2,636	-	41	3,809
(Financial charges)	(891)	(3,827)	(251)	-	(4,969)
Share of profit/(loss) of investments	(25)	-	-	-	(25)
<b>PROFIT BEFORE TAXES</b>	<b>21,564</b>	<b>7,429</b>	<b>485</b>	<b>(106)</b>	<b>29,372</b>
Income taxes	(4,981)	(3,187)	(180)	29	(8,319)
<b>NET PROFIT/(LOSS)</b>	<b>16,583</b>	<b>4,242</b>	<b>305</b>	<b>(77)</b>	<b>21,053</b>
<i>Significant non-cash items:</i>					
Amortisation & Depreciation	(4,072)	(8,723)	(1,007)	1,838	(11,964)
Write-downs	-	-	-	-	-
<b>Total non-cash items</b>	<b>(4,072)</b>	<b>(8,723)</b>	<b>(1,007)</b>	<b>1,838</b>	<b>(11,964)</b>
<b>Investments in non-current assets</b>	<b>14,651</b>	<b>7,121</b>	<b>307</b>	<b>-</b>	<b>22,079</b>
<i>Segment assets and liabilities:</i>					
<b>Assets</b>	<b>225,354</b>	<b>193,617</b>	<b>16,056</b>	<b>(141,792)</b>	<b>293,235</b>
<b>Liabilities</b>	<b>90,177</b>	<b>171,891</b>	<b>9,808</b>	<b>(100,382)</b>	<b>171,494</b>

The Group operating performance and therefore of the respective segments is outlined in detail in the Directors' Report. The segment performances may be summarised as follows:

- The “Licenses and brands” segment reports royalties and sourcing commissions of Euro 64.5 million for 2020 compared to Euro 77.3 million in the previous year. EBIT amounts to approx. Euro 8.9 million, compared to Euro 21.3 million in 2019. The segment net profit totalled Euro 9.4 million, compared to Euro 16.6 million in 2019;

- the “Proprietary Licensees” segment, comprising BasicItalia S.p.A., the subsidiaries BasicRetail S.r.l., BasicRetail SUISSE S.A. and the Kappa Europe Group posted sales of Euro 212.4 million, compared with sales of Euro 248.2 million in the previous year. The contribution margin on sales was Euro 86.6 million, compared to Euro 107.6 million in 2019. The revenue margin was 40.7% (43.3% in 2019). Personnel costs decreased on the previous year following the application of the procedures to provide access to social security reliefs. The segment reports a loss of Euro 876 thousand compared to a profit of Euro 4.2 million in the previous year;
- the “Property” segment reports a profit of Euro 21 thousand compared to Euro 305 thousand in 2019.

## 8. **COVID-19 EFFECTS**

The figures and results commented on in these Explanatory Notes were significantly and extensively impacted by the effects of the pandemic during the year. Key extraordinary and non-recurring items associated with Covid-19 are summarized below:

- personnel costs benefitted from social security contributions totalling Euro 3.9 million across the various countries in which the Group operates;
- overheads include non-recurring charges of Euro 320 thousand, of which Euro 192 thousand relating to sanitising costs and the purchase of personal protective equipment, and for the remainder technical consultancy;
- sponsorship and media investments benefitted from contract and sponsorship renegotiations worth Euro 4.0 million;
- sundry income includes the reversal of payables for right-of-use assets following post-lockdown negotiations amounting to Euro 1.3 million, in application of the practical expedient described in Note 22;
- sundry income includes operating grants of Euro 0.5 million paid out to the Group's Italian companies, primarily in the form of tax credits;
- sundry income includes Euro 35 thousand granted in the form of a loan to BasicProperties America as part of the Paycheck Protection Program and subsequently converted into a non-refundable grant;
- income taxes include the net positive effect of Euro 4.4 million deriving from the release of deferred tax liabilities and the assessment of substitute taxes on the partial realignment of the tax value of trademarks in the portfolio, pursuant to Article 110 of Legislative Decree No. 104/2020;
- income taxes benefit for Euro 0.4 million from the cancellation of the 2019 IRAP balance and the 2020 IRAP advance payment in favour of the Italian companies of the Group that fall within the criteria set by Article 24 of Leg. Decree No. 34/2020.

From a financial viewpoint, it should also be noted that the Group obtained the deferral of instalments due in 2020 on medium/long-term loans totalling Euro 3.9 million.

Lastly, Group companies have had access, with different timeframes and conditions, to subsidized loans with government guarantees as provided for in their respective countries as part of measures to counter the effects of Covid-19. In particular,

- BasicNet S.p.A., BasicItalia S.p.A. and BasicRetail S.r.l. took out unsecured loans, each for Euro 5.5 million, linked to support for working capital and payment of salaries, with a guarantee from the SMEs Guarantee Fund;
- BasicTrademark S.r.l. took out an unsecured loan of Euro 5.5 million, linked to the partial payment of the purchase of the Kappa Japan brand, with a guarantee from the SMEs Guarantee Fund;
- Kappa Sport Iberia S.L. took out two loans of Euro 420 thousand and Euro 200 thousand respectively;
- Preppy Cotton S.A. took out a loan totalling Euro 289 thousand, which does not include any interest expense.



**9. CONSOLIDATED DIRECT SALES**

The breakdown of “consolidated direct sales” by geographic area is reported below:

	<b>FY 2020</b>	<b>FY 2019</b>
Sales Italy	134,666	160,203
EU countries other than Italy	74,112	83,328
Rest of the World	4,978	6,617
<b>Total consolidated direct sales</b>	<b>213,756</b>	<b>250,148</b>

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A., BasicRetail S.r.l., BasicRetail SUISSE S.A. and the subsidiaries of Kappa Europe S.A.S. through both the wholesale and retail channels (Euro 212.4 million) and BasicNet S.p.A. for sample merchandise sales (Euro 1 million). Sales on the home market accounted for 63%, while approx. 34.7% of sales were in other EU countries, with the remaining approx. 2.3% outside the EU. The subsidiaries of Kappa Europe S.A.S. operate in the territories of France, UK, Spain, Portugal and Switzerland.

The composition of revenues from direct sales by distribution channel is presented in the following table:

	<b>FY 2020</b>	<b>FY 2019</b>
Multibrand sales	160,873	189,336
Franchising sales	41,739	53,527
Online sales	9,851	5,619
Sample sales	1,293	1,666
<b>Total consolidated direct sales</b>	<b>213,756</b>	<b>250,148</b>

**10. COST OF SALES**

	<b>FY 2020</b>	<b>FY 2019</b>
Goods purchased – Overseas	92,730	116,012
Goods purchased – Italy	5,395	6,028
Samples purchased	3,043	3,787
Freight charges and accessory purchasing cost	11,850	14,818
Packaging	869	807
Change in inventory of raw materials, ancillary, consumables and goods	4,564	(7,730)
Cost of outsourced logistics	6,856	7,127
Others	1,818	2,105
<b>Total cost of sales</b>	<b>127,125</b>	<b>142,954</b>

“Goods purchased” refer to the finished products acquired by BasicItalia S.p.A. by the Kappa Europe Group. Sample purchases were made by BasicNet S.p.A. for resale to the licensees.

**11. ROYALTIES AND SOURCING COMMISSIONS**

“Royalties and sourcing commissions” refer to royalty fees for the brand licenses in the countries where the licenses have been assigned, or recognised to authorised sourcing centres for the production and sale of group brand products by commercial licensees.

The changes in the year are commented upon in the Directors’ Report.

	<b>FY 2020</b>	<b>FY 2019</b>
Europe (EU and non-EU)	18,340	18,852
The Americas	6,005	7,592
Asia and Oceania	17,953	23,859
Middle East and Africa	3,677	5,248
<b>Total</b>	<b>45,975</b>	<b>55,551</b>

**12. OTHER INCOME**

	<b>FY 2020</b>	<b>FY 2019</b>
Income for right-of-use	1,343	-
Income from promo sales	796	-
Rental income	492	606
Recovery of condominium expenses	87	138
Other income	5,772	5,872
<b>Total other income</b>	<b>8,490</b>	<b>6,616</b>

“Income for right-of-use” refers to income from the reversal of payables for right-of-use following the renegotiation of store lease instalments.

The “recovery of condominium expenses” concerns the recharge to lessees of utility costs.

“Other income” includes prior year accruals’ reversals, the recharge of expenses to third parties and other indemnities against counterfeiting and unauthorised usage protection actions. The balance for the previous year also included a non-recurring amount of Euro 1.5 million resulting from the settlement with AS Roma.

**13. SPONSORSHIP AND MEDIA COSTS**

	<b>FY 2020</b>	<b>FY 2019</b>
Sponsorship and marketing	31,769	37,132
Advertising	5,466	3,568
Promotional expenses	1,049	1,486
<b>Total sponsorship and media costs</b>	<b>38,284</b>	<b>42,186</b>

The account “sponsorship” refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors’ Report. The decrease in the period is mainly attributable to the renegotiation of technical sponsorship contracts for the 2020/2021 sports season.

“Advertising” refers to billboard advertising and press communication campaigns.

Promotional expenses concern gifts of products and advertising material, not relating to specific sponsorship contracts.

#### 14. **PERSONNEL COSTS**

	<b>FY 2020</b>	<b>FY 2019</b>
Wages and salaries	20,888	23,392
Social security charges	6,710	7,594
Post-employment benefit	1,295	1,175
<b>Total</b>	<b>28,893</b>	<b>32,161</b>

The number of employees at the reporting date, by category, is reported in the separate section in the Consolidated Non-Financial Declaration.

The average number of employees in 2020 was 786, broken down as 58 executives, 708 white-collar and 20 blue-collar employees.

The decrease in personnel costs refers for Euro 3.9 million to the forms of social security benefits to which the Group had access during the period of store closures and reduced business activity.

#### 15. **SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES**

	<b>FY 2020</b>	<b>FY 2019</b>
Selling and royalty service expenses	14,726	16,139
Rental, accessory and utility expenses	7,571	7,544
Commercial expenses	7,048	8,898
Directors and Statutory Auditors emoluments	4,798	5,319
Doubtful debt provision	7,815	2,538
Professional consultants	4,228	4,444
Bank charges	1,435	1,719
Other general expenses	6,471	5,892
<b>Total selling, general and administrative costs, and royalties expenses</b>	<b>54,092</b>	<b>52,493</b>

The decrease in the aggregate, amounting to Euro 1.6 million, is mainly due to the mix between the higher "doubtful debt provisions" allocated at the end of 2020 and the reduction in "commercial expenses" consisting of costs for participation in sector trade fairs and events, communication costs for advertising campaigns, stylistic, graphic and commercial costs and travel expenses, which decreased due to the reduction, due to COVID-19, of trade missions abroad.

The higher doubtful debt provision relates to certain positions and includes a specific item regarding the early termination of a commercial license, the assignment of which to a new leading commercial partner is in advanced negotiations..

"Selling and royalty service expenses" mainly includes commissions to agents and transport costs to customers, whose decrease is related to reduced revenues; the item also includes royalties on sports team merchandising contracts and co-branding operations.

“Directors and Statutory Auditors emoluments”, for offices held at the date of the present Report, approved by the Shareholders’ AGM and the Board of Directors’ meetings of April 19, 2019, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/97 and subsequent amendments and integrations, and are reported in the Remuneration Report pursuant to Article 123-ter of the CFA, which is available on the company’s website [www.basicnet.com](http://www.basicnet.com) Shareholder’ Meeting 2020 section, to which reference should be made.

“Other general expenses” includes other taxes, consumption materials, hire charges, and corporate and other minor expenses.

## 16. **AMORTISATION & DEPRECIATION**

	<b>FY 2020</b>	<b>FY 2019</b>
Intangible assets	3,330	3,247
Rights-of-use	5,155	5,312
Property, plant & equipment	3,791	3,405
<b>Total amortisation &amp; depreciation</b>	<b>12,276</b>	<b>11,964</b>

Amortisation of intangible assets includes Euro 355 thousand of key-money write-down relating to some sales points for which the decision to close has been made, within a normal rotation of less profitable sales point in favour of the opening of new locations or more appropriate operational strategies.

The depreciation of right-of-use assets, essentially relating to the lease contracts for the Group’s stores, has been reclassified from the account “Rental” included under general expenses on the adoption of IFRS 16.

## 17. **NET FINANCIAL INCOME (CHARGES)**

	<b>FY 2020</b>	<b>FY 2019</b>
Interest income	68	87
Bank interest charges	(189)	(377)
Interest on medium/long term loans	(603)	(709)
Property lease interest	(12)	(14)
Interest IFRS 16	(341)	(311)
Others	(559)	(730)
<b>Total financial income and charges</b>	<b>(1,636)</b>	<b>(2,054)</b>
Exchange rate gains	3,620	3,401
Exchange rate losses	(3,691)	(2,507)
<b>Net exchange gains/(losses)</b>	<b>(71)</b>	<b>894</b>
<b>Total financial income/(charges)</b>	<b>(1,707)</b>	<b>(1,160)</b>

Net currency losses amounted to Euro 70 thousand, against gains of Euro 894 thousand in the previous year, as a result of US Dollar movements; net financial charges servicing the debt amounted to Euro 1.6 million compared to Euro 2.1 million in the previous year.

"Others" includes approximately Euro 350 thousand financial discounts and rebates mainly on the French and English markets.

#### 18. **PROFIT/(LOSS) OF EQUITY INVESTMENTS**

This item primarily includes the positive difference (Euro 959 thousand) between the amount of the financial liability previously recorded for the purchase of the minority interests in Kappa Europe and the price paid. For further information, reference should be made to Note 48.

The account reflects the effect on the consolidated result for the period of the valuation at equity of the joint venture Fashion S.r.l..

#### 19. **INCOME TAXES**

The account balance refers to net tax income of Euro 1.8 million. This consists of:

- current income taxes of Euro 4.7 million, primarily Euro 0.9 million of IRAP (regional business tax), Euro 3.1 million of IRES (corporate income tax) and Euro 0.7 million of income taxes of the foreign subsidiaries;
- deferred tax income of Euro 6 million and release of deferred tax liabilities of Euro 6 million, of which Euro 5 million due to the recognition of the tax benefit provided for by Article 110 of Legislative Decree No. 104/2020, which allowed for the partial realignment of the tax value of the brands in portfolio to the higher value recorded in the financial statements;
- implementation of the benefits arising from the application of the "Patent Box" regulations (Euro 0.9 million);
- substitute taxes amounting to Euro 0.5 million and other minor items amounting to Euro 0.3 million.

The reconciliation between the theoretical and actual rate is shown below:

	2020	2019
Profit before taxes	6,777	29,372
Income tax rate	24%	24%
<b><i>Theoretical IRES</i></b>	<b><i>(1,626)</i></b>	<b><i>(7,049)</i></b>
Effect of differences between Italian and foreign tax rates	177	94
Permanent tax differences effect	(138)	(654)
Prior year taxes	200	(9)
ACE contribution	36	35
Alignment of Brand tax values (Article 110 of Law Decree No. 104/2020)	4,967	-
Patent Box benefit	962	2,276
IRAP	(908)	(1,802)
WHT Reversal	(632)	(538)
Substitute taxes for alignment of Brand tax values (Article 110 of Law Decree No. 104/2020)	(530)	-
Other changes	(704)	(324)
<b>EFFECTIVE TAX CHARGE</b>	<b>1,804</b>	<b>(7,971)</b>
<b>Effective tax rate</b>	<b>26.6%</b>	<b>(27.1%)</b>
Non-recurring tax charges		(348)
<b>TOTAL EFFECTIVE TAX CHARGE</b>	<b>(1,804)</b>	<b>(8,319)</b>

Non-recurring tax charges in the previous year are the result of a tax assessment on the companies BasicItalia and BasicRetail for formal errors detected following an audit carried out by the tax authorities, to which the companies adhered in order to avoid the application of the related multiplication penalties.

## 20. **EARNINGS PER SHARE**

The basic earnings per share, for 2020, is calculated dividing the net result attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year:

<i>(in Euro)</i>	<b>FY 2020</b>	<b>FY 2019</b>
Net result	8,580,521	21,052,814
Weighted average number of ordinary shares	52,493,602	53,715,626
Basic earnings per ordinary share	0.1635	0.3919

At December 31, 2020, there were no “potentially diluting” shares outstanding, therefore the diluted earnings per shares coincide with the earnings per share.

The change in the weighted average number of ordinary shares outstanding between 2020 and 2019 relates to the number of treasury shares acquired in the year.

**EXPLANATORY NOTES TO THE BALANCE SHEET**

(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

**ASSETS****21. INTANGIBLE ASSETS**

	December 31, 2020	December 31, 2019	Changes
Concessions, brands and similar rights	59,159	47,015	12,144
<i>Software development</i>	4,052	3,731	321
Other intangible assets	1,971	2,287	(316)
Industrial patents	198	151	47
<b>Total intangible assets</b>	<b>65,380</b>	<b>53,184</b>	<b>12,196</b>

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Historical cost</b>					
<b>Jan 1, 2019</b>	<b>59,049</b>	<b>43,227</b>	<b>10,098</b>	<b>139</b>	<b>112,513</b>
<i>Initial balance from acquisition</i>	-	-	-	562	562
<i>Additions</i>	548	1,957	591	74	3,170
<i>Disposals &amp; other changes</i>	(701)	212	-	-	(489)
<i>Write-downs</i>	-	-	-	-	-
<b>Historical cost</b>					
<b>At 31.12.2019</b>	<b>58,896</b>	<b>45,396</b>	<b>10,689</b>	<b>775</b>	<b>115,756</b>
<i>Additions</i>	12,355	2,273	430	112	15,170
<i>Disposals &amp; other changes</i>	1	-	-	-	1
<i>Write-downs</i>	-	-	-	-	-
<b>Historical cost</b>					
<b>At 31.12.2020</b>	<b>71,252</b>	<b>47,669</b>	<b>11,119</b>	<b>887</b>	<b>130,927</b>



The changes in the relative accumulated amortisation provisions were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Acc. Amort. at 1.1.2019</b>	<b>(11,680)</b>	<b>(39,725)</b>	<b>(7,809)</b>	<b>(74)</b>	<b>(59,288)</b>
<i>Initial balance from acquisition</i>	-	-	-	(479)	(479)
<i>Amortisation</i>	(201)	(1,940)	(593)	(71)	(2,805)
<i>Disposals and other changes</i>	-	-	-	-	-
<b>Acc. Amort. At 31.12.2019</b>	<b>(11,881)</b>	<b>(41,665)</b>	<b>(8,402)</b>	<b>(624)</b>	<b>(62,571)</b>
<i>Amortisation</i>	(212)	(1,952)	(746)	(65)	(2,975)
<i>Disposals and other changes</i>	-	-	-	-	-
<b>Acc. Amort. At 31.12.2020</b>	<b>(12,093)</b>	<b>(43,616)</b>	<b>(9,148)</b>	<b>(689)</b>	<b>(65,546)</b>

The net book value of intangible assets is reported below:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Opening net book value at 1.1.2019</b>	<b>47,369</b>	<b>3,502</b>	<b>2,289</b>	<b>65</b>	<b>53,225</b>
<i>Initial balance from acquisition</i>	-	-	-	83	83
<i>Additions</i>	548	1,957	591	74	3,170
<i>Disposals and other changes</i>	(701)	212	-	-	(489)
<i>Amortisation</i>	(201)	(1,940)	(593)	(71)	(2,805)
<i>Write-downs</i>	-	-	-	-	-
<b>Closing net book value at 31.12.2019</b>	<b>47,015</b>	<b>3,731</b>	<b>2,287</b>	<b>151</b>	<b>53,184</b>
<i>Additions</i>	12,355	2,273	430	112	15,170
<i>Disposals and other changes</i>	1	-	-	-	1
<i>Amortisation</i>	(212)	(1,952)	(746)	(65)	(2,975)
<i>Write-downs</i>	-	-	-	-	-
<b>Closing net book value at 31.12.2020</b>	<b>59,159</b>	<b>4,052</b>	<b>1,971</b>	<b>198</b>	<b>65,380</b>

The increase in “concessions, brands and similar rights” is due s due to the purchase of the Kappa Japan trademark (Euro 10.9 million), the purchase of rights on the K-Way China trademark and domains (Euro 1.1 million), to the capitalisation of costs incurred for the registration of trademarks in new European countries, for renewals and extensions and for the purchase of software licenses. Amortisation in the period concerns the Jesus Jeans brand, amortised over 20 years, as not yet reaching a market positioning equal to that of the principal brands.

At December 31, 2020, the Kappa and Robe di Kappa brands report a book value of Euro 15.2 million, with the Superga brand reporting a book value of Euro 21.2 million; the K-Way brand was valued at Euro 9.4 million, the Sebago brand at Euro 12 million and the Briko brand at Euro 0.9 million. The Kappa, Robe di Kappa, Superga, K-Way, Briko and Sebago brands are considered intangible assets with indefinite useful life and as such are subject to an impairment test at least annually.

The book value of the Sabelt brand, for which the Group is global licensee for the “fashion” categories, held through the joint venture, is included in the value of the investment.

At December 31, in application of the provisions of IAS 36 on impairment testing at least on an annual basis and identifying the effects on the global economy of the Covid-19 pandemic as an external impairment indicator, the Group has conducted all the checks on any permanent impairment of corporate brands and related CGU's.

For the purposes of the impairment test of the BasicNet Group at consolidated level, the CGU's were identified as the brands of the company.

The impairment test was carried out comparing the book value of the net assets of each CGU with their recoverable value, defined as the higher between their value in use and the fair value less selling costs.

The verification of the reduction in the loss in value (impairment test) of the indefinite useful life assets, among which brands and goodwill, allocated to each CGU was carried out comparing the carrying amount with the respective recoverable value. The recoverable value was determined discounting the expected net cash flows allocated to each CGU (value in use). The key assumptions utilised for the calculation principally refer to:

- the estimate of the future net cash flows of each CGU is based on the plans approved by the Board of Directors and on reasonable and sustainable assumptions, with respect to future and historical cash flows;
- the terminal value, equal to the value of the cash flows at the end of the explicit time period, is calculated assuming a perpetual growth rate of 1.0% (1.0% in 2019);
- the discounting of the weighted average cost of capital (WACC) of 6.80% (6.70% in 2019).

Following the impairment test no write-down is required of the book value of the brands or the goodwill. The value in use of the CGUs thus determined are significantly higher than their carrying amount: in particular, the sensitivity analyses carried out against this backdrop confirmed the full recoverability of the values even in the event of significant reductions in expected cash flows or a significant increase in discount rates. Similarly, the development of alternative scenarios involving a slippage in the recovery, reflecting the current degree of uncertainty about future economic prospects, also revealed the presence of significant headroom for all CGUs.

The account “software development” increased approx. Euro 2.3 million for investments and decreased Euro 1.9 million for amortisation in the period.

The account “other intangible assets” principally includes improvements related to the franchising project and recorded investments of Euro 430 thousand and amortisation in the period of Euro 737 thousand.

## 22. **RIGHT-OF-USE**

The Group utilises the exceptions under the standard on leasing contracts which have a duration of equal to or less than 12 months and which do not contain a purchase option (“short-term leasing”) and on leases whose underlying asset is of a low value (“low value asset”).

The Group has applied the practical expenditures provided for lease reductions granted by landlords that are a direct result of the Covid-19 outbreak.

	December 31, 2020	December 31, 2019	Changes
Right-of-use	22,082	18,066	4,016
<b>Total right-of-use</b>	<b>22,082</b>	<b>18,066</b>	<b>4,016</b>

The changes in the original cost of the right-of-use were as follows:

	2020	2019
<b>Historical cost at Jan 1, 2020</b>	<b>39,330</b>	<b>32,330</b>
<i>Initial balance from acquisition</i>	-	3,562
<i>Additions</i>	12,802	4,920
<i>Disposals and other changes</i>	(6,072)	(1,482)
<i>Write-downs</i>	-	-
<b>Historical cost at Dec 31, 2020</b>	<b>46,060</b>	<b>39,330</b>

The changes in the relative accumulated depreciation provisions were as follows:

	2020	2019
<b>Acc. Deprec. at Jan 1, 2020</b>	<b>(21,264)</b>	<b>(15,252)</b>
<i>Initial balance from acquisition</i>	-	(1,672)
<i>Deprecia</i>	(5,155)	(5,312)
<i>Disposals and other changes</i>	2,440	972
<b>Acc. Deprec. at Dec 31, 2020</b>	<b>(23,979)</b>	<b>(21,264)</b>

The movements in the net book value of the right-of-use is shown below:

	2020	2019
<b>Net book value at Jan 1, 2020</b>	<b>18,066</b>	<b>17,078</b>
<i>Initial balance from acquisition</i>	-	1,890
<i>Additions</i>	12,802	4,920
<i>Disposals and other changes</i>	(3,631)	(510)
<i>Depreciation</i>	(5,155)	(5,312)
<b>Net book value at Dec 31, 2020</b>	<b>22,082</b>	<b>18,066</b>

**23. GOODWILL**

	December 31, 2020	December 31, 2019	Changes
Goodwill	11,907	12,206	(299)
<b>Goodwill</b>	<b>11,907</b>	<b>12,206</b>	<b>(299)</b>

The account “goodwill” includes the goodwill arising on the business combination with a Spanish licensee (totalling Euro 6.7 million) and the French licensee (Euro 1.2 million), goodwill for Euro 3.4 million following the acquisition of the French Group Kappa Europe, and goodwill paid for the acquisition of retail outlets, known as key money (Euro 0.4 million).

The Group verifies the recovery of the goodwill at least on an annual basis or more frequently when there is an indication of a loss in value. For the purposes of the impairment test the goodwill is allocated to the lowest cash-generating unit. See Note 21 on the checks carried out as at December 31, 2020.

**24. PROPERTY, PLANT AND EQUIPMENT**

	December 31, 2020	December 31, 2019	Changes
Property	33,420	20,691	12,729
Furniture and other assets	9,569	8,266	1,303
Plant & machinery	789	788	1
EDP	1,690	1,780	(90)
Industrial and commercial equipment	222	236	(14)
<b>Total property, plant and equipment</b>	<b>45,690</b>	<b>31,761</b>	<b>13,929</b>

The changes in the historical cost of property, plant and equipment were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Historical cost Jan 1, 2019</b>	<b>37,268</b>	<b>17,690</b>	<b>2,210</b>	<b>14,600</b>	<b>1,074</b>	<b>72,842</b>
<i>Initial balance from acquisition</i>	44	988	114	360	-	1,506
<i>Additions</i>	71	3,975	312	945	119	5,422
<i>Disposals and other changes</i>	-	(63)	-	(93)	1	(155)
<b>Historical cost Dec 31, 2019</b>	<b>37,383</b>	<b>22,590</b>	<b>2,636</b>	<b>15,812</b>	<b>1,194</b>	<b>79,615</b>
<i>Additions</i>	150	2,773	280	741	57	4,001
<i>Disposals and other changes</i>	-	(126)	-	(85)	-	(211)
<i>Change in consolidation scope</i>	13,795	-	-	-	-	13,795
<b>Historical cost Dec 31, 2020</b>	<b>51,328</b>	<b>25,235</b>	<b>2,916</b>	<b>16,471</b>	<b>1,251</b>	<b>97,200</b>

The changes in the relative accumulated depreciation provisions were as follows:

	Property	Furniture and other assets	Plants & equipment	EDP	Industrial & commercial equipment	Total
<b>Acc. Deprec. Jan 1, 2019</b>	<b>(15,685)</b>	<b>(12,372)</b>	<b>(1,505)</b>	<b>(12,993)</b>	<b>(890)</b>	<b>(43,445)</b>
<i>Initial balance from acquisition</i>	<i>(1)</i>	<i>(629)</i>	<i>(88)</i>	<i>(330)</i>	<i>-</i>	<i>(1,048)</i>
<i>Depreciation</i>	<i>(1,006)</i>	<i>(1,329)</i>	<i>(255)</i>	<i>(748)</i>	<i>(68)</i>	<i>(3,406)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>6</i>	<i>-</i>	<i>39</i>	<i>-</i>	<i>45</i>
<b>Acc. Deprec. At Dec 31, 2019</b>	<b>(16,692)</b>	<b>(14,324)</b>	<b>(1,848)</b>	<b>(14,032)</b>	<b>(958)</b>	<b>(47,854)</b>
<i>Depreciation</i>	<i>(1,216)</i>	<i>(1,448)</i>	<i>(276)</i>	<i>(780)</i>	<i>(71)</i>	<i>(3,791)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>103</i>	<i>(3)</i>	<i>34</i>	<i>-</i>	<i>134</i>
<b>Acc. Deprec. At Dec 31, 2020</b>	<b>(17,908)</b>	<b>(15,669)</b>	<b>(2,127)</b>	<b>(14,778)</b>	<b>(1,029)</b>	<b>(51,511)</b>

The net book value of property, plant and equipment was as follow:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
<b>Opening net book value Jan 1, 2019</b>	<b>21,583</b>	<b>5,318</b>	<b>705</b>	<b>1,607</b>	<b>184</b>	<b>29,397</b>
<i>Initial balance from acquisition</i>	<i>43</i>	<i>359</i>	<i>26</i>	<i>30</i>	<i>-</i>	<i>458</i>
<i>Additions</i>	<i>71</i>	<i>3,975</i>	<i>312</i>	<i>945</i>	<i>119</i>	<i>5,422</i>
<i>Depreciation</i>	<i>(1,006)</i>	<i>(1,329)</i>	<i>(255)</i>	<i>(748)</i>	<i>(68)</i>	<i>(3,406)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(57)</i>	<i>-</i>	<i>(54)</i>	<i>1</i>	<i>(110)</i>
<b>Closing net book value Dec 31, 2019</b>	<b>20,691</b>	<b>8,266</b>	<b>788</b>	<b>1,780</b>	<b>236</b>	<b>31,761</b>
<i>Additions</i>	<i>150</i>	<i>2,773</i>	<i>280</i>	<i>741</i>	<i>57</i>	<i>4,001</i>
<i>Depreciation</i>	<i>(1,216)</i>	<i>(1,448)</i>	<i>(276)</i>	<i>(780)</i>	<i>(71)</i>	<i>(3,791)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(22)</i>	<i>(3)</i>	<i>(51)</i>	<i>-</i>	<i>(76)</i>
<i>Change in consolidation scope</i>	<i>13,795</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>13,795</i>
<b>Closing net book value Dec 31, 2020</b>	<b>33,420</b>	<b>9,569</b>	<b>789</b>	<b>1,690</b>	<b>222</b>	<b>45,690</b>

“Property” includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.p.A. and at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company, adjacent buildings owned by Basic Village S.p.A. acquired in late 2016, and the property complex at Via dell’Aprica, No. 12 in Milan, owned by Aprica Costruzione S.r.l, Milan, a company which was acquired in January 2020, and merged into Basic Village S.p.A. in July 2020.

Total gross investments in the period amounted to Euro 4 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2020	Net value at December 31, 2019
Furniture and other assets	1,410	1,684
EDP	105	236
Plant	15	18
Transport vehicles	86	71
<b>Total</b>	<b>1,616</b>	<b>2,009</b>

## 25. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	December 31, 2020	December 31, 2019	Changes
Other receivables, guarantees	765	1,051	(286)
<b><i>Total financial receivables</i></b>	<b>765</b>	<b>1,051</b>	<b>(286)</b>
<b>Total investments &amp; other financial assets</b>	<b>765</b>	<b>1,051</b>	<b>(286)</b>

“Other receivables, guarantees” principally refer to deposits on real estate property.

## 26. INVESTMENTS IN JOINT VENTURES

	December 31, 2020	December 31, 2019	Changes
Investments in:			
- Joint ventures	192	217	(25)
<b>Total investments in joint ventures</b>	<b>192</b>	<b>217</b>	<b>(25)</b>

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand. From January 1, 2014, this category of investment has been valued at equity, as per IFRS 11.

## 27. DEFERRED TAX ASSETS

	December 31, 2020	December 31, 2019	Changes
Deferred tax assets	3,419	329	3,090
<b>Total deferred tax assets</b>	<b>3,419</b>	<b>329</b>	<b>3,090</b>

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes.

The individual effects are reported in the table below:

	December 31, 2020			December 31, 2019			Changes 2020/2019
	Amount of temporary differences	Rate % (*)	Tax effect	Amount of temporary differences	Rate %	Tax effect	
<i>Deferred tax assets:</i>							
- Excess doubtful debt provision not deductible	(12,327)	24.01%	(2,960)	(6,768)	24.03%	(1,627)	(1,333)
- Inventory obsolescence provision	(4,559)	24.44%	(1,114)	(4,253)	25.28%	(1,075)	(39)
- Prudent exchange differences, net	(941)	24.00%	(226)	-	24.00%	-	(226)
- Misc. charges temporarily non-deductible	(3,256)	27.61%	(899)	(4,113)	26.47%	(1,089)	190
- Effect IAS 19 – Employee Benefits	(574)	24.57%	(141)	(467)	26.10%	(122)	(19)
- Effect IFRS 16 – lease payables	(1,075)	27.92%	(300)	(1,220)	27.90%	(340)	40
- Effect IFRS 39 – financial instruments.	(2,240)	24.00%	(553)	-	24.00%	-	(553)
<b>Total</b>	<b>(24,972)</b>		<b>(6,193)</b>	<b>(16,821)</b>		<b>(4,253)</b>	<b>(1,940)</b>
<i>Deferred tax liabilities:</i>							
- Dividends not received	-		-	111	24.00%	27	(27)
- Prudent exchange differences, net	-		-	142	24.00%	34	(34)
- Amortisation/Depreciation tax basis	1,215	28.44%	346	15,655	28.16%	4,408	(4,062)
- Statutory and fiscal differences on depreciation and valuations	14,774	28.06%	4,145	3,311	27.90%	924	3,221
- Effect IAS 38 – plant costs	17	27.90%	5	16	31.48%	5	-
- Effect IFRS9 – financial instruments	-			117	27.43%	32	(32)
- Effect IFRS 3 – goodwill amortisation	2,105	27.95%	588	1,941	27.90%	542	46
<b>Total</b>	<b>18,111</b>		<b>5,084</b>	<b>21,293</b>		<b>5,972</b>	<b>(888)</b>
Losses carried forward	(8,961)	25.77%	(2,309)	(8,100)	25.28%	(2,048)	(261)
Net deferred tax liabilities	(6,861)		(1,109)	4,472		1,719	
Deferred tax liabilities (asset) as per financial statements	8,961		2,309	8,100		2,048	
<b>Deferred tax liabilities (asset) as per financial statements</b>	<b>(15,822)</b>		<b>(3,418)</b>	<b>(3,628)</b>		<b>(329)</b>	<b>(3,090)</b>

(\*) Average tax rate

Deferred tax assets are recorded considering probable their recovery based on future profit expectations, and principally relate to non-deductible doubtful debt provisions (approx. Euro 3 million), non-deductible inventory obsolescence provisions (approx. Euro 2.9 million), temporarily non-deductible charges (Euro 0.9 million) and the effects deriving from the application of IFRS 16 (Euro 0.3 million), in addition to Euro 2.3 million of unlimited tax losses carried forward by the Kappa Europe Group.

Deferred tax liabilities principally refer to the tax effects deriving from the application of the IFRS international accounting standards, with particular reference to the accounting of amortisation on own brands solely for tax purposes (Euro 0.3 million), differences between statutory and fiscal amortisation (Euro 1 million) and goodwill amortisation fiscally deductible (Euro 0.6 million).

The movement in the year is primarily due to the effects of the first-time consolidation of Aprica Costruzioni (see Note 48) and the release of deferred tax liabilities provided for in previous years in connection with the partial realignment of the tax bases of trademarks with their carrying amounts.



**28. NET INVENTORIES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Raw material, ancillary and consumables	90	75	16
Finished products and goods	67,194	71,975	(4,782)
Inventory obsolescence provision	(5,090)	(5,293)	203
<b>Total net inventories</b>	<b>62,194</b>	<b>66,757</b>	<b>(4,563)</b>

Finished product inventories include goods in transit at the balance sheet date which at December 31, 2020 amount to approx. Euro 3.2 million compared to Euro 7.4 million at December 31, 2019, goods held at Group brand stores for Euro 8.2 million, compared to Euro 9.1 million at December 31, 2019 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 6.9 million compared to Euro 7.3 million at December 31, 2019.

Inventories are valued under the weighted average cost method and net of the obsolescence provision considered reasonable for a prudent valuation of inventories, which recorded the following changes during the year:

	<b>2020</b>	<b>2019</b>
<b>Inventory obsolescence provision at 01.01</b>	<b>5,293</b>	<b>4,467</b>
Initial balance from acquisition	-	480
Provisions in the year	5,306	3,112
Utilisations	(5,509)	(2,766)
<b>Inventory obsolescence provision at 31.12</b>	<b>5,090</b>	<b>5,293</b>

**29. TRADE RECEIVABLES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Gross value	68,977	78,265	(9,288)
Doubtful debt provision	(15,927)	(9,705)	(6,222)
<b>Total trade receivables</b>	<b>53,050</b>	<b>68,560</b>	<b>(15,510)</b>

“Trade receivables” refer for Euro 47.5 million to goods sold by proprietary licensees compared to Euro 48.4 million at December 31, 2019 against which a doubtful debt provision was recorded of Euro 8.6 million (Euro 7.1 million at December 31, 2019) and for Euro 21.3 million to royalties and sourcing commissions (Euro 29.8 million at December 31, 2019) against which a doubtful debt provision was recorded of Euro 7.3 million (Euro 2.6 million at December 31, 2019).

The receivables are recorded at their realisable value through a doubtful debt provision based on estimated losses on disputes and/or overdue receivables as well as a general provision.

The movements during the year were as follows:

	2020	2019
<b>Doubtful debt provision at 01.01</b>	<b>9,705</b>	<b>7,638</b>
Initial balance from acquisition	-	1,684
Provisions in the year	7,815	2,537
Utilisations	(1,593)	(2,154)
<b>Doubtful debt provision at 31.12</b>	<b>15,927</b>	<b>9,705</b>

The utilisations of the provision are related to the write off of long outstanding amounts and are made when the legal documentation of the loss has been received. Provisions are made based on an examination of individual credit positions and the calculation of expected losses based on statistical and parametric elements. Overdue receivables not written down are normally recovered in the period immediately after the maturity date and in any case are subject to specific risk evaluations.

### 30. OTHER CURRENT ASSETS

	December 31, 2020	December 31, 2019	Changes
Tax receivables	7,520	8,515	(995)
Other receivables	2,743	2,372	371
<b>Total other current assets</b>	<b>10,263</b>	<b>10,887</b>	<b>(624)</b>

Current “tax receivables” principally relate to withholding taxes on royalties for Euro 4.2 million, VAT receivables for Euro 2.0 million, IRES and IRAP receivables of Euro 0.2 million, in addition to minor amounts.

“Other receivables” mainly includes advances to suppliers and sundry receivables. The account also includes the premium paid to the insurance company against Directors Termination Indemnities, to be paid to the Chairman of the Board of Directors, as approved by the Board of Directors on April 19, 2019, on the indication of the Shareholders’ AGM and the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, on conclusion of his role for Euro 1 million.

### 31. PREPAYMENTS

	December 31, 2020	December 31, 2019	Changes
Expenses pertaining to future collections	4,663	5,166	(503)
Sponsorship and media	6,128	6,443	(315)
Others	2,642	2,908	(266)
<b>Total prepayments</b>	<b>13,433</b>	<b>14,517</b>	<b>(1,084)</b>

The “expenses pertaining to future collections” include the creative personnel costs, samples, merchandising costs and sales catalogues, relating to new Collections to be brought to the market, as well as presentations costs for the relative sales meetings.

The “sponsorship costs” relate to the annual amount contractually defined by the parties, which is partially invoiced in advance during the sports season, compared to the timing of the services.

The “other prepayments” include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group.

### 32. CASH AND CASH EQUIVALENTS

	December 31, 2020	December 31, 2019	Changes
Bank and postal deposits	33,565	15,062	18,504
Cash in hand and similar	87	173	(87)
<b>Total cash and cash equivalents</b>	<b>33,652</b>	<b>15,235</b>	<b>18,417</b>

“Bank deposits” refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: BasicItalia S.p.A. (Euro 13.1 million), companies of the Kappa Europe Group (Euro 9.5 million), BasicRetail S.r.l. (Euro 4.4 million), BasicNet S.p.A. (Euro 3.4 million), Basic Properties America Inc. (Euro 2.0 million) and, for the difference, the other Group companies (Euro 1.2 million).

## **SHAREHOLDERS' EQUITY AND LIABILITIES**

### **33. SHAREHOLDERS' EQUITY**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Share capital	31,717	31,717	-
Treasury shares	(24,679)	(22,225)	(2,454)
Other reserves	103,658	91,196	12,462
Net profit	8,581	21,053	(12,472)
<b>Total Shareholders' Equity</b>	<b>119,277</b>	<b>121,741</b>	<b>(2,464)</b>

The “share capital” of the Parent Company, amounting to Euro 31,716,673.04, is divided into 60,993,602 ordinary shares of Euro 0.52 each, fully paid-in.

In July, as approved by the Shareholders' AGM of BasicNet S.p.A. of June 26, 2020, in relation to the allocation of the 2019 net profit, a dividend of Euro 0.12 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 6.4 million.

During the year 636,745 treasury shares were acquired in accordance with Shareholders' Meetings motions, which together with the 7,863,255 shares held at the end of the previous year, totalled 8,500,000 at December 31, 2020 (13.94% of the Share Capital).

The account “other reserves” comprises:

- The “cash flow hedge reserve”, negative for Euro 1.8 million, changed in the year due to the fair value measurement of cash flow hedges held at December 31, 2020;
- The “*re-measurement reserve for defined benefit plans (IAS 19)*”, negative for Euro 270 thousand, refers to the changes in the actuarial gains/losses (“*re-measurement*”). The valuation is shown net of the tax effect;  
the “*IFRS16 reserve*”, which includes the effects of the first-time application of the standard, is negative for Euro 733 thousand;
- the “*currency conversion reserve*”, positive for Euro 539 thousand, entirely concerns conversion differences into Euro of the financial statements of the US, Asian, Swiss and English subsidiaries;
- “*retained earnings*” amount to Euro 105.8 million, increasing compared to the end of the previous year by Euro 15 million.

The reconciliation at December 31, 2020 between the net equity and net result of the Parent Company and the net equity and consolidated net result of the Group is reported in the Directors' Report.

The other gains and losses recorded directly to equity in accordance with *IAS 1 – Presentation of financial statements* are reported below.

	December 31, 2020	December 31, 2019	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	(1,606)	(16)	(1,590)
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	(752)	(809)	57
<b>Effective part of the Gains/losses on cash flow hedge instruments</b>	<b>(2,358)</b>	<b>(825)</b>	<b>(1,533)</b>
Re-measurement of defined benefit plans (IAS 19) (*)	6	(161)	168
Gains/(losses) from translation of accounts of foreign subsidiaries	(785)	(8)	(777)
Tax effect relating to the Other items of the comprehensive income statement	582	309	273
<b>Total other gains/(losses), net of tax effect</b>	<b>(2,555)</b>	<b>(685)</b>	<b>(1,869)</b>

(\*) items which may not be reclassified to the profit and loss account

The tax effect relating to Other gains/(losses) is as follows:

	December 31, 2020			December 31, 2019		
	Gross value	Tax Charge/Benefit	Net value	Gross value	Tax Charge/Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	(2,341)	584	(1,757)	(825)	270	(555)
Gains/(losses) for re-measurement of defined benefit plans (IAS 19) (*)	(11)	(2)	(13)	(161)	39	(122)
Gains/(losses) from translation of accounts of foreign subsidiaries	(785)	-	(785)	(8)	-	(8)
<b>Total other gains/(losses), net of tax effect</b>	<b>(3,137)</b>	<b>582</b>	<b>(2,555)</b>	<b>(994)</b>	<b>309</b>	<b>(685)</b>

(\*) items which may not be reclassified to the profit and loss account

#### 34. PROVISIONS FOR RISKS AND CHARGES

	December 31, 2020	December 31, 2019	Changes
Provisions for risks and charges	229	227	2
<b>Total provisions for risks and charges</b>	<b>229</b>	<b>227</b>	<b>2</b>

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A. and the provisions for minor disputes related to the Kappa Europe S.A.S. Group.

### 35. **LOANS**

The changes in the loans during the year are shown below:

	31/12/2019	Repayments	New Loans	31/12/2020	Short-term portion	Medium/long-term portion
Unicredit property loan (Basic Village)	3,300	(1,200)	-	2,100	1,200	900
Intesa mortgage loan (Cebrosa)	1,526	(203)	-	1,323	407	916
BNL loan	3,750	(625)	-	3,125	1,250	1,875
MPS loan (Sebago)	12,188	(813)	-	11,375	3,250	8,125
Banco BPM loan	627	(122)	-	505	505	-
Banco BPM Unsecured Loan (Kappa Japan brand)	-	-	6,000	6,000	-	6,000
Funding FCG L.662/96 (BasicNet)	-	-	5,500	5,500	-	5,500
Funding FCG L.662/96 (BasicItalia)	-	-	5,500	5,500	-	5,500
Financing FCG L.662/96 BasicRetail	-	-	5,500	5,500	275	5,225
Financing FCG L.662/96 (Kappa Japan brand)	-	-	5,500	5,500	-	5,500
KFF "Bank syndicate" loan	1,075	(1,075)	-	-	-	-
BPI KFF loan	338	(113)	-	225	225	-
BPI KE loan	1,832	(167)	-	1,665	333	1,333
UBS "Covid-19" subsidised loan	-	-	289	289	-	289
Abanca "Covid-19" subsidised loan	-	-	200	200	24	176
KSI "Covid-19" subsidised loan	-	-	420	420	67	353
Santander KSI loans	68	(25)	-	43	26	17
Banco Popular loan	150	(100)	-	50	50	-
Intesa KFF loan	3,600	(800)	-	2,800	800	2,000
<b>Balance</b>	<b>28,453</b>	<b>(5,246)</b>	<b>28,909</b>	<b>52,121</b>	<b>8,412</b>	<b>43,709</b>

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2020	December 31, 2019	Changes
Medium/long term loans:			
- due within 5 years	38,321	19,121	19,199
- due beyond 5 years	5,388	167	5,221
<b>Total medium/long-term loans</b>	<b>43,709</b>	<b>19,288</b>	<b>24,420</b>
Finance lease payables	678	651	27
<b>Total leasing payables (maturity within 5 years)</b>	<b>678</b>	<b>651</b>	<b>27</b>
<b>Total loans</b>	<b>44,387</b>	<b>19,939</b>	<b>24,448</b>

The “Basic Village Turin Unicredit property loan” granted by the Unicredit Group was for the acquisition of the building “Basic Village” at Largo M. Vitale 1, Turin. The loan was granted in September 2007 for Euro 18 million at a variable rate converted into a fixed rate (Note 45). Against this loan there is a mortgage on the property and a surety from the parent company BasicNet S.p.A. with maturity in September 2022.

The “Intesa Cebrosa Loan” granted by Banca Intesa Sanpaolo S.p.A. was for the purchase of the building “BasicItalia” at Strada Cebrosa 106, Turin. The loan was granted in October 2008 for Euro 6 million with repayment of the capital in quarterly constant instalments and maturity at September 2023. The loan is secured by a mortgage on the building and a guarantee from the parent company BasicNet S.p.A. During the year, the loan was transferred to BasicVillage as part of the spin-off of BasicItalia's real estate business unit.

The “BNL Loan” was disbursed in November 2016 for Euro 7.5 million; it has six-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 95 basis points. The contractual conditions do not include financial covenants. The loan contract stipulates the maintenance of a number of ownership conditions concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a second level mortgage on the BasicVillage building in Turin and a first level mortgage on the adjacent building, acquired at the end of the year.

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of TOS S.r.l., owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

The “Banco BPM Loan” was disbursed in February 2017 to Basic Italia S.p.A. for Euro 2 million; it has four-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 70 basis points. The contractual conditions do not include financial covenants.

The “BPM Banco Unsecured Loan” was issued in September 2020 for Euro 6 million and is of six-year duration, repayable in quarterly instalments from December 2022 at a quarterly Euribor rate plus 135 basis points (Note 45). The loan funded Basic Trademark's purchase of the Kappa Japan brand. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%, in addition to the constraint of maintaining the Group's total shareholding in Basic Trademark.

For the loans disbursed in 2020 under the SMEs Guarantee Fund, the following should be noted:

1. BasicNet: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly instalments, starting from December 2022, at a fixed rate. The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed;
2. BasicItalia: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly instalments, starting from December 2022, at a fixed rate. The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed; The financing is backed by an additional guarantee from BasicNet;
3. BasicRetail: BPM Banco Loan issued in September 2020 for Euro 5.5 million and is of six-year duration, repayable in quarterly instalments from December 2021 at a quarterly Euribor rate plus 110 basis points (Note 45). The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and goods and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed;
4. BasicTrademark: BPM Banco Loan issued in October 2020 for Euro 5.5 million and is of six-year duration, repayable in quarterly instalments from January 2023 at a quarterly Euribor rate plus 125



basis points (Note 45). The contractual terms provide that the use of the relative liquidity is tied to the purchase of the Kappa Japan brand. The Fund's guarantee covers 90% of the amount disbursed;

The following medium-term loans of the Kappa Europe Group prior to the acquisition of control by BasicItalia are still outstanding:

1. BPI France export loan to Kappa Europe, with an initial value of Euro 2 million, outstanding for Euro 1.7 million and Euro 1.3 million of which medium-term, 3.72% interest rate;
2. BPI France loan to Kappa France (a subsidiary of Kappa Europe), with an initial value of Euro 1.5 million, outstanding for Euro 225 thousand, fully due in the next year, 3.95% interest rate;

The "Intesa KFF Loan" was disbursed in 2019 for Euro 3.6 million to Kappa France by the French branch of Banca Intesa Sanpaolo S.p.A.. The unsecured loan is repayable over 5 years in six-monthly instalments, at a six-monthly Euribor rate increased by 185 basis points, converted into a finite fixed rate of 1.65%.

The terms of the unsecured loans granted to the Spanish and Swiss subsidiaries, individually of insignificant amounts, are generally in line with those of the Group's medium/long-term debt.

At December 31, 2020, the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amount to Euro 314.6 million, broken down as follows:

<i>(in Euro millions)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Cash facility	229.5	182.0
Factoring	-	14.2
Letters of credit and swaps	20.5	30.8
Medium/long term loans	64.5	30.5
Property leases	-	1.0
<b>Total</b>	<b>314.5</b>	<b>258.5</b>

The average interest paid for the BasicNet Group in the year is reported in Note 36.

### 36. **BANK PAYABLES**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Bank payables due within one year:			
- short-term portion of medium/long-term loans	8,412	9,169	(757)
- bank overdrafts and bills	19,929	17,094	2,835
- import advances	19,989	25,181	(5,192)
<b>Total bank payables</b>	<b>48,330</b>	<b>51,444</b>	<b>(3,114)</b>

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 35.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the year on short and medium/long-term loans is reported in the account "bank payables".

Cash advances refer to temporary utilisation by the Parent Company BasicNet S.p.A., for Group treasury needs.

The financial debt by interest rate at December 31, 2020 is as follows:

	Interest Rate		Total
	Fixed	Variable	
Short-term	17,947	30,384	48,331
Medium/long term	14,069	30,318	44,387
<b>Total</b>	<b>32,016</b>	<b>60,702</b>	<b>92,718</b>

The average interest rate on medium/long term loans was 1.40%.

### 37. PAYABLES FOR RIGHT-OF-USE

	December 31, 2020	December 31, 2019	Changes
Payables for rights-of-use	23,097	19,287	3,809
<b>Total payables for right-of-use</b>	<b>23,097</b>	<b>19,287</b>	<b>3,809</b>

Payables for right-of-use are recognised from 2020 in accordance with IFRS 16. In the current year, new contracts worth Euro 8.9 million have been signed, and payables for Euro 4 million settled. Following rent concessions obtained from lessors as a result of the Covid-19 lockdown, the Group recalculated right-of-use payables, reporting a reduction of Euro 1.3 million.

### 38. OTHER FINANCIAL PAYABLES

	December 31, 2020	December 31, 2019	Changes
Other financial payables	-	2,839	-
<b>Total other financial payables</b>	<b>-</b>	<b>2,839</b>	<b>-</b>

This item represented the fair value of the put/call cross-option on the remaining 39% of the shares in Kappa Europe S.A.S. (9,463 shares) held by third parties: the related balance was entirely eliminated following the purchase of the shares in September 2020. For further details, reference should be made to Note 47.

**39. EMPLOYEE AND DIRECTOR BENEFITS**

The account includes the post-employment benefits for employees of Euro 3.2 million and the termination indemnities of Directors of Euro 0.8 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2020			December 31, 2019		
	Defined benefit plans	Defined contrib. plans	Total	Defined benefit plans	Defined contrib. plans	Total
<b>Change in the balance sheet:</b>						
Net liabilities recognized at begin. of year	3,021	54	3,074	2,653	54	2,707
Change in consolidation scope	-	-	-	230	-	230
Interest	28	-	28	50	-	50
Pension cost, net of withholdings	380	924	1,304	294	927	1,221
Benefits paid	(247)	-	(247)	(368)	-	(368)
Payments to the INPS treasury fund	-	(683)	(683)	-	(664)	(664)
Payments to other supp. pension fund	-	(241)	(241)	-	(263)	(263)
Actuarial gain/(losses)	(7)	-	(7)	162	-	162
<b>Net liabilities recognised in the accounts</b>	<b>3,175</b>	<b>54</b>	<b>3,229</b>	<b>3,021</b>	<b>54</b>	<b>3,074</b>
<b>Change in the income statement:</b>						
Interest	28	-	28	50	-	50
Pension Cost	380	924	1,304	302	927	1,229
<b>Total charges/(income) for post-employment benefits</b>	<b>408</b>	<b>924</b>	<b>1,332</b>	<b>352</b>	<b>927</b>	<b>1,279</b>

The account “defined benefit plans” includes the present value of the liabilities in the Italian companies of the Group towards employees in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Group there are no other defined benefit plans.

The actuarial valuation of the Post-Employment Benefit is prepared based on the “matured benefits” method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The revaluations of the amounts at the option date for all of the companies and the benefits matured and not allocated to complementary pension schemes for businesses with less than 50 employees are recorded under post-employment benefit. In accordance with IAS 19, this provision was recorded as a “Defined benefit plans”. The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature.

The sensitivity analysis carried out on the basis of the following variables: 1) inflation rate +0.25%/-0.25%, 2) discount rate +0.25%/-0.25%, 3) turnover rate +1%/-1% shows non-material impacts of less than Euro 60 thousand.

The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2020	December 31, 2019
discount rate	0.53%	1.04%
inflation rate:	0.80%	1.20%
annual increase in post-employment benefit	2.10%	2.40%
annual increase in salaries:	1.00%	1.00%

The change in the annual discount rate reflects the decrease in the yields of the “corporate bonds” of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

#### 40. OTHER NON-CURRENT LIABILITIES

	December 31, 2020	December 31, 2019	Changes
Guarantee deposits	1,103	1,327	(224)
Medium/long term tax payables	278	610	(332)
<b>Total other non-current liabilities</b>	<b>1,381</b>	<b>1,937</b>	<b>(556)</b>

“Guarantee deposits” include guarantees received from licensees to cover minimum contractual royalties due; the “medium/long-term tax payables”, amounting to Euro 0.3 million, refers to the agreement signed with the Tax Authorities in 2019, in connection with a tax audit of Group companies.

#### 41. TRADE PAYABLES

“Trade payables” are payable in the short-term and increased by approx. Euro 9.4 million compared to December 31, 2019. At the date of these financial statements there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A. or other companies of the Group.

Trade payables are normally settled between 30 and 120 days. The book value of trade payables equates the relative fair value.

#### 42. TAX PAYABLES

The breakdown of this account is shown in the following table:

	December 31, 2020	December 31, 2019	Changes
Tax payables:			
Income taxes	2,862	4,613	(1,751)
Employee contributions	440	557	(117)
Group VAT	1,480	1,941	(461)
Other	1,023	474	549
<b>Total tax payables</b>	<b>5,805</b>	<b>7,585</b>	<b>(1,780)</b>

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date. The balance at December 31 includes income taxes provisioned at the end of the previous year, to be settled in the second half of the subsequent year and the estimate of income taxes payable on assessable income in the half-year.

Please refer to Note 40 for comments on non-current tax payables.

#### 43. OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019	Changes
Accrued expenses	744	794	(50)
Payables to employees and directors	4,332	3,807	525
Other payables	6,944	6,626	318
<b>Total other current liabilities</b>	<b>12,020</b>	<b>11,227</b>	<b>793</b>

The account “accrued expenses” principally includes deferred employee remuneration.

“Payables to employees and Directors” mainly concern salaries and expenses for reimbursement settled in the subsequent month.

“Other payables” at December 31, 2020 principally include social security charges (Euro 2.3 million), royalty payments on account from licensees (Euro 91 million) and other miscellaneous amounts (Euro 4.4 million).

#### 44. DEFERRED INCOME

	December 31, 2020	December 31, 2019	Changes
Royalties	-	920	(920)
Sponsored goods revenues	4,418	4,529	(111)
Other deferred income	856	1,313	(457)
<b>Total deferred income</b>	<b>5,274</b>	<b>6,761</b>	<b>(1,487)</b>

The “sponsored goods revenues” relates to the invoicing of sponsored merchandise, which contractually partially refers to the period after the reporting date, with corresponding prepayments recorded under assets for sponsoring costs.

#### 45. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2020	December 31, 2019	Changes
Derivative financial instruments	2,240	348	1,892
<b>Total</b>	<b>2,240</b>	<b>348</b>	<b>1,892</b>

This includes:

- the market value at December 31, 2020 of the currency hedge instruments on US Dollars (cash flow hedge), subscribed with primary credit institutions; the instrument utilised, called flexi term, operates in the form of forward currency purchases on a portion of the estimated currency needs for the purchase of goods on foreign markets, to be made in 2021 and 2022, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At December 31, 2020, commitments were in place on estimated future purchases, for USD 55.6 million, broken down into 13 transactions with differing maturities: 6 transactions in the first half of 2021 (for USD 19.6 million), 6 transactions in the second half of 2021 (for USD 31 million) and 1 transaction beyond 2021 (for USD 5 million), at fixed exchange rates between USD/Euro 1.113 and USD/Euro 1.230. A negative equity reserve was recorded of Euro 1.4 million, net of the tax effect. During 2020, forward purchase operations were utilised for approx. USD 1.4 million and the relative effects were recognised to the income statement.

In the case of the Interest Rate Swap (IRS) agreed by the Group, the specific hedge of the variable cash flow realised at market conditions, through the signing of the fix/flo IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be considered effective.

- the adjustment to the market value of transactions to hedge the risk of fluctuations in interest rates on certain medium-term loans (Note 35) entered into with leading financial counterparties, which have converted the floating rates into fixed rates (cash flow hedges), and Euro 84 thousand for the market value as of December 31 of instruments hedging the risk of fluctuations in the US dollar. A negative equity reserve was recorded, net of the tax effect.

#### **46. GUARANTEES GIVEN/COMMITMENTS**

With reference to the guarantees and commitments of the Group with third parties reference should be made to Note 35.

In February 2010, Intesa Sanpaolo S.p.A. and BasicItalia S.p.A. signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which BasicItalia guarantees a portion of the loan and the purchase of assets in leasing and sub-entry into the management of the sales point in the case of non-compliance of the store owner. At December 31, 2020, the bank deposits of BasicItalia were restricted for Euro 16 thousand; guarantees were also provided on leasing amounting to Euro 678 thousand.

In accordance with that outlined above guarantees were granted of Euro 698 thousand by credit institutions in favour of the lessees of the stores of BasicRetail S.r.l. directly undertaking retail sales of the Group products.

Further commitments were undertaken by the subsidiary BasicItalia S.p.A. relating to the opening of import credit documentation (credit letters) for goods, through some Credit Institutions, totalling Euro 22.5 million, in addition to a surety issued by a leading bank in guarantee of the contractual commitments related to a sponsorship contract for Euro 6.5 million.

Finally, the shares of TOS S.r.l. are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017.

**47. BUSINESS COMBINATIONS****Aprica Constructions**

In January, BasicVillage S.p.A. completed the purchase of all the shares in Aprica Costruzioni S.r.l., a company that owns an industrial building of approximately 4,000 square meters, located in Milan, via dell'Aprica 12, near Scalo Farini, for consideration of Euro 10.5 million

In February, restructuring works began on the building in Milan, which will substantially recreate the successful experience of Turin's BasicVillage as a strategic location for the sector globally.

The following table shows the consideration paid together with the final value of the assets acquired and liabilities assumed at the acquisition date, together with the higher value fully allocated to the building, as supported by the independent third party appraisal:

	<b>Amount</b>
Shares	8,770
Shareholder claims	1,730
<b>Total paid [A]</b>	<b>10,500</b>
<b><u>Net assets acquired</u></b>	
Property	1,929
Other non-current assets	10
Current assets	25
Cash and cash equivalents	33
Provisions for risks & charges	(9)
Current liabilities	(44)
<b>Total net identifiable assets [B]</b>	<b>1,945</b>
<b>Higher value [A-B]</b>	<b>8,555</b>
<b><u>PPA</u></b>	
Higher value allocated to property	11,866
Deferred tax liabilities	(3,311)
<b>Higher value allocated</b>	<b>8,555</b>

**Kappa Europe**

In September 2020, BasicItalia reached an agreement with the previous minority shareholders to purchase the remaining 9,463 shares of Kappa Europe, equal to 39.0% of the share capital. The minority interest was subject to a cross put/call option exercisable by the two parties at different times and under different conditions.

The put/call option was valued at Euro 2.8 million in the BasicNet Group's consolidated financial statements, corresponding to a valuation of Euro 300 per share: the agreed purchase price was Euro 1.9 million or Euro 200 per share. The difference between the price paid and the amount of the financial liability previously recorded, amounting to Euro 959 thousand, was recognized under "Management of equity investments" in these financial statements (Note 18).



The price was paid partly by offsetting receivables of BasicTrademark from the previous minority shareholders (amounting to Euro 0.4 million), partly by the delivery of BasicNet treasury shares (200,000 shares, valued at Euro 4 each) and partially via the deposit of Euro 675 thousand in an escrow account that can be released in three years to guarantee any future claims that may arise for the acquired company.

For the price paid by means of delivery of treasury shares, it is noted that the positive difference between the value contractually agreed with the counterparty and the book value of the shares already held was recorded as an increase in reserves of profits from previous years.

#### **48. OPERATIONS UNDER COMMON CONTROL**

During the year, the Group completed several transactions aimed at simplifying and rationalizing its corporate structure, adapting it to BasicNet's business model. These transactions, which can be configured as transactions under common control, have had no impact on the financial statements under review.

##### **BasicVillage**

The spin-off of BasicItalia's real estate division, including the property located in Turin, Strada della Cebrosa 106, in favour of the beneficiary BasicVillage was finalized in July, with effect from October 1, 2020.

On the same date, the merger by incorporation of the subsidiary Aprica Costruzioni into BasicVillage took effect.

The transactions allow for a concentration of the Group's real estate assets in the hands of BasicVillage.

##### **BasicTrademark**

During the year, the Group finalized the "Back to the future" project, with the aim of concentrating ownership of all the Group's trademarks in the company BasicTrademark. In particular, the project involved

- reverse merging of BasicProperties into Basic Trademark
- the simultaneous merger of Superga Trademark into Basic Trademark
- the sale of the Jesus Jeans brand by the company of the same name to Basic Trademark
- the sale of the Briko<sup>®</sup> brand, 100% of the shares in TOS (owner of the Sebago<sup>®</sup> brand),<sup>®</sup> and 50% of the shares in Fashion (owner of the brand Sabelt<sup>®</sup>) from BasicNet to BasicTrademark.

The concentration of the proprietary brands at BasicTrademark allows for a restructuring to optimise the management and protection of the brands, without changing the ownership structure or the Group's capital structure.

#### **49. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The principal risks and uncertainties of the Group activities are described in the Directors' Report.

The financial instruments of the BasicNet Group include:

- cash and cash equivalents and bank overdrafts;
- medium/long-term loans and lease financing;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 31.12.2020
	Income statement	Shareholders' Equity			
<b>Assets:</b>					
Equity invest. & other financial assets	-	-	-	765	765
Interests in joint ventures	-	-	-	192	192
Cash and cash equivalents	-	-	33,652	-	33,652
Trade receivables	-	-	62,194	-	62,194
Other current assets	-	-	10,264	-	10,264
Derivative financial instruments	-	-	-	-	-
<b>Liabilities:</b>					
Medium/long-term loans	-	-	44,387	-	44,387
Bank payables	-	-	48,330	-	48,330
Trade payables	-	-	55,924	-	55,924
Other current liabilities	-	-	12,020	-	12,020
Derivative financial instruments	-	2,240	-	-	2,240

The financial risk factors, identified in *IFRS 7 – Financial instruments: additional disclosures*, are described below:

- the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (“market risk”). The market risk includes the following risks: price, currency and interest rates:
  - a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (other than changes determined from interest rate or currency risk), whether the changes are determined by specific factors related to the financial instrument or its issuer, or whether it is due to factors which influence all similar financial instruments traded on the market (“price risk”);
  - b. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices (“currency risk”);
  - c. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market interest rates (“interest rate risk”);
- the risk that one of the parties that signs a contract of a financial nature does not comply with an obligation (“credit risk”);
- the risk that an entity has difficulty in complying with the obligations associated with the financial liabilities (“liquidity risk”);

- the risk that the loans within the companies of the Group contain clauses which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk (“*default risk*”).

### **Price risk**

The Group is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the finished products which BasicItalia S.p.A. acquires on international markets, as well as fluctuations in the cost of oil which influences transport costs.

The Group does not hedge these risks as not directly dealing with raw materials but only finished products and is exposed for the part of the increase which cannot be transferred to the final consumer if the market and competitive conditions do not permit such.

### **Currency risk**

The BasicNet Group has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the group is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

At December 31, 2020, unrealised exchange gains were recorded of Euro 135 thousand, while unrealised exchange losses were recorded of Euro 1.1 million, for a net exchange gain of Euro 944 thousand.

At the reporting date, there were 13 hedge operations on US Dollar fluctuations, totalling USD 55,6 million; the relative effects are illustrated in the account “Derivative financial instruments”, in Note 45.

Group Management considers that the management and containment policies adopted for this risk are adequate.

All medium/long-term loans and leasing contracts are in Euro, therefore they are not subject to any currency risk.

### **Interest rate risk**

The composition of the gross financial debt between fixed and variable interest rates at December 31, 2019 is shown below:

	<b>December 31, 2020</b>	<b>%</b>	<b>December 31, 2019</b>	<b>%</b>
Fixed rate	32,016	34.5%	19,238	27.0%
Variable rate	60,702	65.5%	52,145	73.0%
<b>Gross debt</b>	<b>92,718</b>	<b>100.0%</b>	<b>71,383</b>	<b>100.0%</b>

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Note 45. On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at December 31, 2020 the interest rate on long/term loans at that date were 100 basis points higher (or lower) compared to the actual rates, there would be a higher financial charge (lower), before the tax effect, respectively of Euro +232 thousand and Euro -232 thousand.

**Credit risk**

The doubtful debt provision (Note 29) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 23.1% of trade receivables at December 31, 2020.

**Liquidity risk**

Liquidity risk is mitigated in the short-term period by the significant generation of cash realised by the “licenses and trademarks” segment, by the significant positive net working capital, and by the overall credit lines provided by the banking system (Note 36).

The table below illustrates the cash flow timing of payments on medium/long-term debt.

	Book value	Future interest income/(expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond five years
Unicredit BasicVillage Turin mortgage	2,100	128	2,228	1,301	927	-
Intesa mortgage loan (Cebrosa)	1,323	55	1,378	433	945	-
BNL loan	3,125	18	3,143	1,261	1,882	-
Banco BPM loan	505	2	507	507	-	-
MPS (TOS) loan	11,375	251	11,626	3,370	8,256	-
Banco BPM unsecured loan						
Kappa Japan brand	6,000	278	6,278	72	5,075	1,132
FGC 662/96 loan						
BasicRetail	5,500	179	5,679	328	4,522	829
Banco BPM loan Kappa						
Japan brand	5,500	242	5,742	59	4,299	1,384
FGC 662/96 loan BasicNet	5,500	227	5,727	59	4,632	1,037
FGC 662/96 loan						
BasicItalia	5,500	227	5,727	59	4,632	1,037
BPI KFF loan	225	12	237	237	-	-
BPI KE loan	1,667	165	1,832	391	1,440	-
Subsidised loan						
“Covid 19” UBS	289	-	289	-	289	-
Subsidised loan						
“Covid 19” Abanca	200	10	210	28	182	-
Subsidised loan						
“Covid 19” KSI	420	22	442	74	368	-
Santander KSI loan						
	43	1	44	26	18	-
Popular loan	50	-	50	50	-	-
Intesa loan	2,800	93	2,893	843	2,050	-
Lease payables	678	21	699	292	407	-
Right-of-use	23,097	1,199	24,296	5,284	17,310	1,703
<b>Total financial liabilities</b>	<b>75,897</b>	<b>3,130</b>	<b>79,027</b>	<b>14,673</b>	<b>57,233</b>	<b>7,121</b>

**Default and debt covenant risk**

The risk that the loans within the companies of the Group contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

The loans in place at the reporting date are not subject to financial covenants.

**50. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES**

The transactions between the Parent Company and its subsidiaries and between the subsidiaries were within the normal operating activities of the Group and were concluded at normal market conditions. The balance sheet and income statement effects of the transactions are eliminated in the consolidation process. Based on the information received from the companies of the Group there were no atypical or unusual operations.

BasicNet S.p.A., and, as consolidating companies, BasicItalia S.p.A., BasicRetail S.r.l., Basic Village S.p.A., Jesus Jeans S.r.l., Basic Trademark S.r.l., TOS S.r.l. and BasicAir S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

Kappa Europe S.A.S. and, as subsidiaries, Kappa France S.A.S., Sport Fashion Distribution S.A.S.U., SFD France S.A.S.U., Sport Fashion Licensing S.A.S.U. and Sport Fashion Retail S.A.R.L. are part of the French tax consolidation regime pursuant to Articles 223-A/223-U of the General Tax Code (CGI).

The transactions with related parties for the year ended December 31, 2020 are reported below:

	<b>Investments</b>	<b>Trade receivables</b>	<b>Trade Payables</b>	<b>Other Income</b>	<b>Costs</b>
Interests in joint ventures:					
- Fashion S.r.l.	192	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	7,796

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l.. The agreement is for a duration until July 31, 2023 and provides for an exercise price of the Call Option by BasicWorld equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date.

**51. SUBSEQUENT EVENTS**

They are described in the Directors' Report.

**52. CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006**

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

**53. CONTINGENT LIABILITIES/ASSETS**

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

*K-WAY disputes in China*

The dispute that began in 2018 with the Chinese company Taizhou Boyang, owner of a number of K-WEY and K-WAY brands in China has been settled: in December, the parties signed an agreement providing for the transfer of ownership over all trademarks, domains and other rights held by Taizhou Boyang to BasicNet, and the consequent settlement of all pending disputes. This initiative will allow the Group to distribute the K- WAY brand in China.

BasicNet will pay a total of Euro 1.15 million in instalments, as the process of registering the new owner with the competent authorities progresses.

*Tax disputes**End-of-mandate prov. deductibility*

In the initial months of 2018, a tax dispute with the Tax Agency began, following the inspection by the Finance Police for the years 2012 to 2017 at BasicNet S.p.A.. In the tax assessment, the Agency alleges the partial non-deductibility of the Post-employment benefit provision accrual made for the Executive Boards for the years 2012 to 2014, on the basis of an interpretation of the rules governing Post-employment benefits for employees, in the total absence of specific tax rules. The Tax Agency is claiming approx. Euro 360 thousand for IRES, in addition to penalties and interest. Not agreeing with the Tax Agency's interpretation and noting also favourable jurisprudence in similar cases, the Company presented an appeal for all of the years subject to assessment. In March 2019, the Turin Provincial Tax Commission heard the appeal presented by BasicNet. The Tax Agency has appealed against the Tax Commission's decision. The hearing before the Regional Tax Commission held in September confirmed the Turin Provincial Tax Commission's verdict, finding in favour of BasicNet.

*Alleged tax inversion Basic Properties America*

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered office in New York-USA, following checks on BasicNet by the Finance Police in 2017, on the basis of the alleged tax inversion claimed by the latter against the US subsidiary. The assessments concern financial years 2011, 2012 and 2013, alleging tax evasion in Italy for approx. Euro 3.6 million, in addition to interest and penalties. Tax assessments were also received by BasicTrademark S.A. and SupergaTrademark S.A. for the alleged evasion of VAT for approx. Euro 1 million, on the basis that the royalties paid by Basic Properties America, Inc., for tax purposes considered an Italian company, to these two companies should have been subject to VAT. At the beginning of the present month of July, similar tax assessments for financial year 2014 were received, with claims for additional taxes of approx. Euro 0.3 million and for VAT for approx. Euro 0.1 million.

As they did not consider the arguments put forward by the Agency to be well-founded, the companies lodged appeals against the tax assessments and requests for provisional suspension of the executive effects of the assessments. The Turin Provincial Tax Commission, which had already accepted the request for provisional suspension in October 2019, at the end of January 2020 fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (now S.r.l.) and Superga Trademark S.A. (now S.r.l., incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency.

In June, the Tax Agency appealed against the Provincial Tax Commission's decision. The defence panel has filed its counter-arguments to the appeal and the Regional Tax Commission has not yet set a date for discussion.

For the Board of Directors

**The Chairman**

Marco Daniele Boglione



## ANNEX 1

**DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION**

Type of service	Service provider	Company	Fees earned 2020
Audit	EY S.p.A.	Parent BasicNet S.p.A.	62,500
		Subsidiaries	122,500
	Network EY	Subsidiaries	87,700
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
		Subsidiaries	12,000
Other services	EY S.p.A.	Subsidiaries	-
<b>Total</b>			<b>284,700</b>

<sup>(1)</sup> Procedures aimed at issuing the report required by Article 2501-*bis*, fifth paragraph, of the Civil Code for the merger of Aprica Costruzioni S.r.l. into BasicVillage S.p.A.

**ANNEX 2**  
**Page 1 of 2**

**COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD**

	<b>Registered Office</b>	<b>Corporate purpose</b>	<b>Share capital</b>	<b>Parent company holding (%)</b>
<b><u>PARENT COMPANY</u></b>				
<b>BasicNet S.p.A.</b>				
<b><u>Directly held subsidiaries:</u></b>				
- BasicAir S.r.l. single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft	EURO 3,000,000	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor, direct stores of BasicNet Group.	EURO 7,650,000	100
- Basic Trademark S.r.l.	Turin (Italy)	The Group's brand-owning company	EURO 1,250,000	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Management of the buildings at Turin - Largo M. Vitale, 1 and C.so Regio Parco, 43.	EURO 412,800	100
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD 10,000	100
- BasicNet Asia Company Limited	Ho Chi Minh City (Vietnam)	Control activity of the licensees and sourcing centre in Asia.	DONG 462,600,000	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Initially set up to manage the Jesus Jeans brand	EURO 10,000	100
<b><u>Indirectly held subsidiaries:</u></b>				
<b>- through Basic Trademark S.r.l.</b>				
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD 2,000	100
- TOS S.r.l. single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO 10,000	100 <sup>(1)</sup>
<b>- through BasicItalia S.p.A.</b>				
- BasicRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of sales points.	EURO 10,000	100
- BasicRetail SUISSE S.A.	Mendrisio (Switzerland)	Operation of retail outlets in Switzerland	CHF 100,000	100
- Kappa Europe SAS	Saint Herblain (France)	Holding company of a Group of Kappa brand licensees in European territories	EURO 2,426,400	61

- 1) shares subject to a pledge with the Group required to maintain full ownership of the company, in guarantee of the loan issued by MPS Capital Services Banca per le Imprese S.p.A. in July 2017.

ANNEX 2  
Page 2 of 2

## COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
<b><u>Indirect subsidiaries (continued):</u></b>					
<b>- through Kappa Europe SAS.</b>					
- Kappa France .S.A.S	Saint Herblain (France)	Kappa licensees for the territories of France, Spain, Portugal and United Kingdom	EURO	2,060,000	100
- Sport Fashion Distribution UK Ltd	Manchester (United Kingdom)	Manages the distribution of Kappa Europe Group products in United Kingdom	LIRE STERLING	1	100
- Sport Fashion Retail S.A.R.L.	Saint Herblain (France)	Company managing the outlet in Saint Herblain	EURO	5,000	100
- Preppy Cotton S.A.	Reidermoos (Switzerland)	Kappa licensee for Switzerland for the Kappa Europe Group	EURO	101,105	100
- Textiles D’Artois S.A.R.L.	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa Europe Group licensees	EURO	3,000	100
- Kappa Retail Monaco S.A.R.L.	Munich	Company that manages the store in Monaco	EURO	15,000	100
<b>- through Kappa France SAS.</b>					
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO	505,588	100

## COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered Office	Corporate purpose	Share capital		Share capital Holding (%)
<b>- through Basic Trademark S.r.l.</b>					
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under joint-venture	EURO	100,000	50 <sup>(2)</sup>

(2) the remaining 50% of the investment is held by the Marsiaj family

## ANNEX 3

**DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO  
ARTICLE 154-BIS PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF  
FEBRUARY 24, 1998 “FINANCIAL INTERMEDIATION ACT”**

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

the adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2020 consolidated financial statements.

In addition, we declare that the consolidated financial statements:

- a) corresponds to the underlying accounting documents and records;
- b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union, and also in accordance with Article 9 of Legislative Decree No. 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer and of the consolidated companies;
- c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione  
**Chairman**

Federico Trono  
**Chief Executive Officer**

Paola Bruschi  
**Executive Officer for Financial Reporting**

# BasicNet S.p.A.

**Bilancio consolidato al 31 dicembre 2020**

**Relazione della società di revisione indipendente  
ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e  
dell'art. 10 del Regolamento (UE) n. 537/2014**

## **Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 10 del Regolamento (UE) n. 537/2014**

Agli Azionisti della  
BasicNet S.p.A.

### **Relazione sulla revisione contabile del bilancio consolidato**

#### **Giudizio**

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo BasicNet (il Gruppo), costituito dalla situazione patrimoniale-finanziaria consolidata al 31 dicembre 2020, dal conto economico consolidato, dal conto economico complessivo consolidato, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note illustrative al bilancio consolidato che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38.

#### **Elementi alla base del giudizio**

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla BasicNet S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

#### **Aspetti chiave della revisione contabile**

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Abbiamo identificato il seguente aspetto chiave della revisione contabile:

Aspetti chiave	Risposte di revisione
<b>Valutazione dei marchi e dell'avviamento</b>	
<p>Il valore dei marchi al 31 dicembre 2020 è pari a € 59,1 milioni e l'avviamento alla medesima data ammonta a € 11,9 milioni. Le attività immateriali a vita utile indefinita sono state allocate alle Cash Generating Unit (CGU) del Gruppo relative ai Marchi aziendali.</p> <p>I processi e le modalità di valutazione e determinazione del valore recuperabile di ciascuna CGU, in termini di valore d'uso, sono basati su assunzioni a volte complesse che per loro natura implicano il ricorso al giudizio degli amministratori, in particolare con riferimento alla previsione dei loro flussi di cassa futuri e alla determinazione dei tassi di crescita di lungo periodo e di attualizzazione applicati alle previsioni dei flussi di cassa futuri.</p> <p>In considerazione del giudizio richiesto e della complessità delle assunzioni utilizzate nella stima del valore recuperabile dei marchi e dell'avviamento abbiamo ritenuto che tale tematica rappresenti un aspetto chiave della revisione.</p> <p>L'informativa di bilancio relativa alla valutazione dei marchi e dell'avviamento è riportata nella nota 5. "Criteri di valutazione" e rispettivamente nella nota 21 "Attività immateriali" e nella nota 23 "Avviamento".</p>	<p>Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro:</p> <ul style="list-style-type: none"> <li>• l'analisi della procedura posta in essere dal Gruppo in merito a criteri e metodologia dell'impairment test;</li> <li>• la verifica dell'adeguatezza del perimetro delle CGU e dell'allocazione dei valori contabili delle attività e passività alle singole CGU;</li> <li>• l'analisi delle previsioni dei flussi di cassa futuri, inclusa la considerazione dei dati e previsioni di settore;</li> <li>• la coerenza delle previsioni dei flussi di cassa futuri di ciascuna CGU con il business plan di Gruppo;</li> <li>• la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti;</li> <li>• la verifica della determinazione dei tassi di crescita di lungo periodo e dei tassi di attualizzazione.</li> </ul> <p>Nelle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione, che hanno eseguito un ricalcolo indipendente ed effettuato analisi di sensitività sulle assunzioni chiave, al fine di determinare i cambiamenti delle assunzioni che potrebbero impattare significativamente la valutazione del valore recuperabile.</p> <p>Infine, abbiamo verificato l'adeguatezza dell'informativa fornita nelle note illustrative del bilancio in relazione alla valutazione dei marchi e dell'avviamento.</p>

## Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.



Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo BasicNet S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

## **Responsabilità della società di revisione per la revisione contabile del bilancio consolidato**

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione;
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

### **Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014**

L'assemblea degli azionisti della BasicNet S.p.A. ci ha conferito in data 27 aprile 2017 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi con chiusura dal 31 dicembre 2017 al 31 dicembre 2025.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

## Relazione su altre disposizioni di legge e regolamentari

**Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58**

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo BasicNet al 31 dicembre 2020, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio consolidato del Gruppo BasicNet al 31 dicembre 2020 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del Gruppo BasicNet al 31 dicembre 2020 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.


**Dichiarazione ai sensi dell'art. 4 del Regolamento Consob di attuazione del D. Lgs. 30 dicembre 2016, n. 254**

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della dichiarazione non finanziaria ai sensi del D. Lgs. 30 dicembre 2016, n. 254. Abbiamo verificato l'avvenuta approvazione da parte degli amministratori della dichiarazione non finanziaria.

Ai sensi dell'art. 3, comma 10, del D. Lgs. 30 dicembre 2016, n. 254, tale dichiarazione è oggetto di separata attestazione di conformità da parte nostra.

Torino, 17 marzo 2021

EY S.p.A.



Stefania Boschetti  
(Revisore Legale)

**FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES OF BASICNET S.P.A.  
AT DECEMBER 31, 2020**

**FINANCIAL STATEMENTS AND EXPLANATORY NOTES****BASICNET S.p.A. – INCOME STATEMENT***(in Euro)*

	<i>Note</i>	<b>FY 2020</b>	<b>FY 2019</b>	<b>Changes</b>
Direct sales	(8)	3,798,951	4,202,003	(403,052)
Cost of sales	(9)	(3,460,807)	(4,067,201)	606,394
<b>GROSS MARGIN</b>		<b>338,144</b>	<b>134,802</b>	<b>203,342</b>
Royalties and sourcing commissions	(10)	31,215,201	37,973,599	(6,758,398)
Other income	(11)	7,699,890	6,886,862	813,027
Sponsorship and media costs	(12)	(1,289,846)	(1,524,331)	234,485
Personnel costs	(13)	(10,099,231)	(10,448,707)	349,476
Selling, general and administrative costs, royalties expenses	(14)	(19,741,715)	(17,029,868)	(2,711,847)
Amortisation & Depreciation	(15)	(4,186,643)	(3,926,467)	(260,175)
<b>EBIT</b>		<b>3,935,800</b>	<b>12,065,890</b>	<b>(8,130,090)</b>
Net financial income (charges)	(16)	(991,998)	286,177	(1,287,175)
Dividends	(17)	1,097,851	4,800,000	(3,702,149)
<b>PROFIT BEFORE TAXES</b>		<b>4,041,653</b>	<b>17,152,067</b>	<b>(13,110,414)</b>
Income taxes	(18)	697,943	(2,665,499)	3,363,442
<b>NET PROFIT FOR THE YEAR</b>		<b>4,739,596</b>	<b>14,486,568</b>	<b>(9,746,972)</b>

**BASICNET S.p.A. – COMPREHENSIVE INCOME STATEMENT***(in Euro)*

	<i>Note</i>	<b>FY 2020</b>	<b>FY 2019</b>	<b>Changes</b>
<b><i>Profit for the year (A)</i></b>		<b>4,739,596</b>	<b>14,486,568</b>	<b>(9,746,972)</b>
Effective portion of the Gains/(losses) on cash flow hedges		-	3,881	(3,881)
Re-measurement of post-employment benefits (IAS 19) (*)		(9,598)	(65,991)	56,393
Tax effect on other profits/(losses)		2,303	14,907	(12,604)
<b><i>Total other gains/(losses), net of tax effect (B)</i></b>	<i>(29)</i>	<b>(7,295)</b>	<b>(47,203)</b>	<b>39,908</b>
<b>Total Comprehensive Profit (A)+(B)</b>		<b>4,732,301</b>	<b>14,439,365</b>	<b>(9,707,064)</b>
- Owners of the parent		4,732,301	14,439,365	(9,707,064)
- Non-controlling interests		-	-	-

(\*) items which may not be reclassified to the profit and loss account

**BASICNET S.p.A. – BALANCE SHEET***(in Euro)*

<b>ASSETS</b>	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Intangible assets	(19)	13,005,773	12,387,382
Rights-of-use	(20)	10,175,117	9,239,766
Plant, machinery and other assets	(21)	2,996,316	3,130,236
Equity invest. & other financial assets	(22)	35,804,734	36,296,599
Deferred tax assets	(23)	1,830,497	-
<b>Total non-current assets</b>		<b>63,812,437</b>	<b>61,053,983</b>
Net inventories	(24)	431,280	491,611
Trade receivables	(25)	7,233,885	15,982,713
Other current assets	(26)	74,316,003	65,875,339
Prepayments	(27)	3,986,225	4,802,398
Cash and cash equivalents	(28)	3,409,860	1,518,777
Derivative financial instruments		-	-
<b>Total current assets</b>		<b>89,377,253</b>	<b>88,670,838</b>
<b>TOTAL ASSETS</b>		<b>153,189,690</b>	<b>149,724,821</b>
<b>LIABILITIES</b>	<b>Note</b>	<b>December 31, 2020</b>	<b>December 31, 2019</b>
Share capital		31,716,673	31,716,673
Treasury shares		(24,678,900)	(22,225,090)
Other reserves		79,615,157	71,279,414
Net Profit		4,739,596	14,486,568
<b>TOTAL SHAREHOLDERS' EQUITY</b>	(29)	<b>91,392,526</b>	<b>95,257,565</b>
Provisions for risks and charges		-	-
Loans	(30)	15,605,499	11,538,558
Payables for rights-of-use	(32)	10,195,406	9,244,914
Employee and Director benefits	(33)	2,036,244	1,567,150
Deferred tax liabilities	(34)	-	687,282
Other non-current liabilities	(35)	907,990	1,015,850
<b>Total non-current liabilities</b>		<b>28,745,139</b>	<b>24,053,754</b>
Bank payables	(31)	18,501,192	12,500,983
Trade payables	(36)	5,949,967	6,556,268
Tax payables	(37)	2,977,048	5,105,031
Other current liabilities	(38)	5,617,818	5,969,992
Accrued expenses	(39)	6,000	281,228
Derivative financial instruments		-	-
<b>Total current liabilities</b>		<b>33,052,025</b>	<b>30,413,502</b>
<b>TOTAL LIABILITIES</b>		<b>61,797,164</b>	<b>54,467,256</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>153,189,690</b>	<b>149,724,821</b>



**BASICNET S.p.A. – CASH FLOW STATEMENT***(in Euro)*

	December 31, 2020	December 31, 2019
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(6,482,206)</b>	<b>(6,386,531)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	4,739,596	14,486,568
Amortisation & Depreciation	4,186,643	3,926,467
Write-down of investments	-	-
Changes in working capital:		
- (increase) decrease in trade receivables	8,748,827	1,365,774
- (increase) decrease in inventories	60,331	(212,352)
- (increase) decrease in other receivables	(8,154,987)	(2,682,142)
- increase (decrease) in trade payables	(606,301)	247,306
- increase (decrease) in other payables	(3,550,527)	4,759,858
Net changes in employee and Director benefits	(30,906)	(19,181)
Others, net	(74,820)	(156,459)
	<b>5,317,856</b>	<b>21,715,839</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(652,704)	(916,113)
- intangible assets	(3,252,830)	(1,800,778)
- financial assets	(18,135)	(2,640,190)
Realisable value for fixed asset disposals:		
- tangible assets	345	55
- intangible assets	948,984	-
- financial assets	510,000	-
	<b>(2,464,340)</b>	<b>(5,357,026)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease contracts (repayments)	4,441	(2,499)
Medium/long term loans (repayments)	5,500,000	-
Repayments of medium/long term loans	(1,437,500)	(3,937,500)
Repayment of loans for rights-of-use	(1,635,660)	(1,648,539)
Acquisition of treasury shares	(3,021,821)	(4,398,012)
Distribution of dividends	(6,372,102)	(6,467,938)
	<b>(6,962,642)</b>	<b>(16,454,488)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>(4,109,127)</b>	<b>(95,675)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(10,591,332)</b>	<b>(6,482,206)</b>

Interest paid for the year amounts to respectively Euro 190 thousand in 2020 and Euro 224 thousand in 2019, while income taxes paid in the year amounted to Euro 2.1 million in 2020 and Euro 303 thousand in 2019.

**BASICNET S.p.A. - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY***(in Euro)*

	Number shares	Share capital	Treasury shares	Legal reserve	Shares held in portfolio	Reserves					Net profit	Total
						Remeas. IAS19	IFRS16	Cash Flow Hedge reserve	Exchange gains reserve	Retained earnings/ (accumulated losses)		
<b>Bal December 31, 2018</b>	<b>60,993,602</b>	<b>31,716,673</b>	<b>(17,827,079)</b>	<b>5,663,195</b>	<b>17,827,079</b>	<b>(58,240)</b>	<b>-</b>	<b>(2,949)</b>	<b>-</b>	<b>41,497,641</b>	<b>12,954,414</b>	<b>91,770,734</b>
Effect IFRS 16 Opening balance			-	-	-	-	(86,584)	-	-	-	-	(86,584)
Allocation of result as per Shareholders' AGM resolution of April 19, 2019												
- Legal reserve			-	647,721	-	-	-	-	-	-	(647,721)	-
- Retained earnings			-	-	-	-	-	-	-	5,838,755	(5,838,755)	-
- Distribution of dividends			-	-	-	-	-	-	-	-	(6,467,938)	(6,467,938)
-												
Acquisition of treasury shares			(4,398,012)	-	4,398,012	-	-	-	-	(4,398,012)	-	(4,398,012)
Result December 31, 2019			-	-	-	-	-	-	-	-	14,486,568	14,486,568
Other comprehensive income statement items:												
- Gains/(losses) recorded directly to cash flow hedge reserve			-	-	-	-	-	2,949	-	-	-	2,949
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement			-	-	-	(50,152)	-	-	-	-	-	(50,152)
<i>Total comprehensive income</i>			-	-	-	(50,152)	-	2,949	-	-	14,486,568	14,439,365
<b>Balance at December 31, 2019</b>	<b>60,993,602</b>	<b>31,716,673</b>	<b>(22,225,090)</b>	<b>6,310,916</b>	<b>22,225,090</b>	<b>(108,392)</b>	<b>(86,584)</b>	<b>-</b>	<b>-</b>	<b>42,938,384</b>	<b>14,486,568</b>	<b>95,257,565</b>
Allocation of result as per Shareholders' AGM resolution of June 26, 2020				-								-
- Legal reserve			-	32,418	-	-	-	-	-	-	(32,418)	-
- exchange gains reserve			-	-	-	-	-	-	62,495	-	(62,495)	-
- Retained earnings			-	-	-	-	-	-	-	8,016,014	(8,016,014)	-
- Distribution of dividends			-	-	-	-	-	-	-	-	(6,375,642)	(6,375,642)
Acquisition of treasury shares			(3,021,821)	-	3,021,821	-	-	-	-	(3,021,821)	-	(3,021,821)
Sale of treasury shares			568,012	-	(568,012)	-	-	-	-	800,122	-	800,122
Result December 31, 2020			-	-	-	-	-	-	-	-	4,739,596	4,739,596
Other comprehensive income statement items:												
- Gains/(losses) recorded directly to cash flow hedge reserve			-	-	-	-	-	-	-	-	-	-
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement			-	-	-	(7,295)	-	-	-	-	-	(7,295)
<i>Total comprehensive income</i>			-	-	-	(7,295)	-	-	-	-	4,739,596	4,732,301
<b>Balance at December 31, 2020</b>	<b>60,993,602</b>	<b>31,716,673</b>	<b>(24,678,900)</b>	<b>6,343,334</b>	<b>24,678,900</b>	<b>(115,687)</b>	<b>(86,584)</b>	<b>-</b>	<b>62,495</b>	<b>48,732,699</b>	<b>4,739,596</b>	<b>91,392,526</b>

**BASICNET S.p.A. – NET FINANCIAL POSITION***(in Euro)*

	December 31, 2020	December 31, 2019
Cash and cash equivalents	3,409,860	1,518,777
Bank overdrafts and bills	(14,001,192)	(8,000,983)
<i>Sub-total net liquidity available</i>	<i>(10,591,332)</i>	<i>(6,482,206)</i>
Short-term portion of medium/long-term loans	(4,500,000)	(4,500,000)
<b>Short-term net financial position – third parties</b>	<b>(15,091,332)</b>	<b>(10,982,206)</b>
“Intesa Loan”	(5,500,000)	-
“BNL Loan”	(1,875,000)	(2,500,000)
“MPS Loan”	(8,125,000)	(8,937,500)
Payables for rights-of-use	(10,195,406)	(9,244,914)
Medium/long lease payables	(105,499)	(101,058)
<i>Sub-total loans and leasing – third parties</i>	<i>(25,800,905)</i>	<i>(20,783,472)</i>
<b>Net financial position - third parties</b>	<b>(40,892,237)</b>	<b>(31,765,678)</b>
Group financial receivables / (payables)	66,952,082	54,554,415
<b>Net Financial Position - Group</b>	<b>66,952,082</b>	<b>54,554,415</b>
<b>Total net financial position</b>	<b>26,059,845</b>	<b>22,788,737</b>

The statement required by Consob Communication No. 6064293 of July 28, 2006 is reported below.

	December 31, 2020	December 31, 2019
A. Cash	3,168	17,321
B. Other cash equivalents	3,406,692	1,501,456
C. Securities held for trading	-	-
<b>D. Cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>3,409,860</b>	<b>1,518,777</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>
F. Current bank payables	(14,001,192)	(8,000,983)
G. Current portion of non-current debt	(4,500,000)	(4,500,000)
H. Other Group financial receivables/ (payables)	66,952,082	54,554,415
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>48,450,890</b>	<b>42,053,432</b>
<b>J. Net current financial debt (I)-(E)-(D)</b>	<b>51,860,750</b>	<b>43,572,209</b>
K. Non-current bank payables	(15,605,499)	(11,538,558)
L. Bonds issued	-	-
M. Other non-current payables	(10,195,406)	(9,244,914)
<b>N. Non-current financial debt (K)+(L)+(M)</b>	<b>(25,800,905)</b>	<b>(20,783,472)</b>
<b>O. Net financial debt (J)+(N)</b>	<b>26,059,845</b>	<b>22,788,737</b>

Financial debt differs from the Parent Company's net financial position due to right-of-use liabilities.

**BASICNET S.P.A. STATEMENT OF CHANGES IN NET FINANCIAL POSITION***(in Euro)*

	December 31, 2020	December 31, 2019
<b>A) OPENING NET FINANCIAL POSITION</b>	<b>22,788,737</b>	<b>29,118,575</b>
<b>B) EFFECTS OF THE RECOGNITION OF RIGHTS-OF-USE</b>	<b>-</b>	<b>(1,919,195)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	4,739,596	14,486,568
Amortisation & Depreciation	4,186,643	3,926,467
Write-down of investments	-	-
Gains on sale of investments	-	-
Changes in working capital:	8,895,009	2,549,195
Net changes in employee and director benefits	(30,906)	(19,181)
Others, net	(74,820)	(156,458)
	<b>17,715,522</b>	<b>20,786,591</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed asset investments	(3,923,670)	(5,357,081)
Realisable value for fixed asset disposals	1,459,329	55
	<b>(2,464,340)</b>	<b>(5,357,026)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
New payables for rights-of-use	(2,586,152)	(8,974,258)
Acquisition of treasury shares	(3,021,821)	(4,398,012)
Dividend payments	(6,372,102)	(6,467,938)
	<b>(11,980,075)</b>	<b>(19,840,208)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>3,271,107</b>	<b>(4,410,644)</b>
<b>F) CLOSING NET FINANCIAL POSITION</b>	<b>26,059,845</b>	<b>22,788,737</b>

**BASICNET S.p.A. – 2020 INCOME STATEMENT PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006**
*(in Euro)*

	<b>FY 2020</b>		<b>FY 2019</b>	
		<i>Of which related parties Note 42</i>		<i>Of which related parties</i>
Direct sales	3,798,951	2,525,977	4,202,003	2,535,761
Cost of sales	(3,460,807)	(12)	(4,067,201)	(26,742)
<b>GROSS MARGIN</b>	<b>338,144</b>		<b>134,802</b>	
Royalties and sourcing commissions	31,215,201	7,984,497	37,973,599	9,103,642
Other income	7,699,890	6,606,200	6,886,862	6,088,221
Sponsorship and media costs	(1,289,846)	(756,355)	(1,524,331)	(934,673)
Personnel costs	(10,099,231)		(10,448,707)	
Selling, general and administrative costs, royalties expenses	(19,741,715)	(1,585,142)	(17,029,868)	(1,615,266)
Amortisation & Depreciation	(4,186,643)		(3,926,467)	
<b>EBIT</b>	<b>3,935,800</b>		<b>12,065,890</b>	
Net financial income (charges)	(991,998)	173,034	286,177	264,201
Dividends	1,097,851	1,097,851	4,800,000	4,800,000
<b>PROFIT BEFORE TAXES</b>	<b>4,041,653</b>		<b>17,152,067</b>	
Income taxes	697,943		(2,665,499)	
<b>NET PROFIT</b>	<b>4,739,596</b>		<b>14,486,568</b>	

**BASICNET S.p.A. – BALANCE SHEET AS AT DECEMBER 31, 2020 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006**

(in Euro)

ASSETS	December 31, 2020		December 31, 2019	
		<i>Of which Related parties Notes 22 &amp; 26</i>		<i>Of which Related parties</i>
Intangible assets	13,005,773		12,387,382	
Rights-of-use	10,175,117		9,239,766	
Plant, machinery and other assets	2,996,316		3,130,236	
Equity invest. & other financial assets	35,804,734	35,772,624	36,296,599	36,764,489
Deferred tax assets	1,830,497		-	
<b>Total non-current assets</b>	<b>63,812,437</b>		<b>61,053,983</b>	
Net inventories	431,280		491,611	
Trade receivables	7,233,885		15,982,713	
Other current assets	74,316,003	72,088,335	65,875,339	63,915,224
Prepayments	3,986,225		4,802,398	
Cash and cash equivalents	3,409,860		1,518,777	
Derivative financial instruments	-		-	
<b>Total current assets</b>	<b>89,377,253</b>		<b>88,670,838</b>	
<b>TOTAL ASSETS</b>	<b>153,189,690</b>		<b>149,724,821</b>	

LIABILITIES	December 31, 2020		December 31, 2019	
		<i>Of which Related parties Note 38</i>		<i>Of which Related parties</i>
Share capital	31,716,673		31,716,673	
Treasury shares	(24,678,900)		(22,225,090)	
Other reserves	79,615,157		71,279,414	
Net Profit	4,739,596		14,486,568	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>91,392,526</b>		<b>95,257,565</b>	
Provisions for risks and charges	-		-	
Loans	15,605,499		11,538,558	
Payables for rights-of-use	10,195,406		9,244,914	
Employee and Director benefits	2,036,244		1,567,150	
Deferred tax liabilities	-		687,282	
Other non-current liabilities	907,990		980,887	
<b>Total non-current liabilities</b>	<b>28,745,139</b>		<b>24,018,791</b>	
Bank payables	18,501,192		12,500,983	
Trade payables	5,949,967		6,556,268	
Tax payables	2,977,048		5,139,994	
Other current liabilities	5,617,819	1,295,819	5,969,992	1,959,065
Accrued expenses	6,000		281,228	
Derivative financial instruments	-		-	
<b>Total current liabilities</b>	<b>33,052,026</b>		<b>30,448,465</b>	
<b>TOTAL LIABILITIES</b>	<b>61,797,164</b>		<b>54,467,256</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>153,189,690</b>		<b>149,724,821</b>	

# **BASICNET S.p.A. – CASH FLOW STATEMENT AS AT DECEMBER 31, 2020 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006**

(in Euro)

	December 31, 2020	December 31, 2019
	<i>Of which related parties</i>	<i>Of which related parties</i>
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(6,482,206)</b>	<b>(6,386,531)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit	4,739,596	14,486,568
Amortisation & Depreciation	4,186,643	3,926,467
Write-down of investments	-	-
Changes in working capital:		
- (increase) decrease in trade receivables	8,154,987	1,365,774
- (increase) decrease in inventories	60,331	(212,352)
- (increase) decrease in other receivables	(7,256,283)	(2,682,142)
- increase (decrease) in trade payables	(606,301)	247,306
- increase (decrease) in other payables	(3,550,527)	4,759,858
Net changes in employee and director benefits	(30,906)	(19,181)
Others, net	(74,820)	(156,459)
	<b>5,317,855</b>	<b>21,715,839</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(652,704)	(916,113)
- intangible assets	(3,252,830)	(1,800,778)
- financial assets	(18,135)	(2,640,190)
Realisable value for fixed asset disposals:		
- tangible assets	345	55
- intangible assets	948,984	-
- financial assets	510,000	-
	<b>(2,464,340)</b>	<b>(5,357,026)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Lease contracts draw-down/(repayments)	4,441	(2,499)
Medium/long term loans draw-down/(repayments)	5,500,000	-
Repayments of medium/long term loans	(1,437,500)	(3,937,500)
Repayment of loans for rights-of-use	(1,635,660)	(1,648,539)
Acquisition of treasury shares	(3,021,821)	(4,398,012)
Distribution of dividends	(6,372,102)	(6,467,938)
	<b>(6,962,642)</b>	<b>(16,454,488)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>(4,109,127)</b>	<b>(95,675)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(10,591,332)</b>	<b>(6,482,206)</b>

Interest paid for the year amounts to respectively Euro 190 thousand in 2020 and Euro 224 thousand in 2019, while income taxes paid in the year amounted to Euro 2.1 million in 2020 and Euro 303 thousand in 2019.



The undersigned herewith declares that the present financial statements reflect the underlying accounting entries.

For the Board of Directors

**The Chairman**

Marco Daniele Boglione

## EXPLANATORY NOTES

### 1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin, listed on the Italian Stock Exchange since November 17, 1999, in addition to its main function of Parent Company, manages the Network, providing the know-how for the use of the Group brands, undertaking research and development of the services and new products for the best utilisation of the brands, as well as undertaking activities of conception, development and communication and the Groups' Information Technology systems. The Company coordinates and provides subsidiaries with administration, finance and control, IT and payroll management services.

The duration of BasicNet S.p.A. is fixed by the company by-laws until December 31, 2050.

The publication of the financial statements of BasicNet S.p.A. for the year ended December 31, 2020 was approved by the Board of Directors on March 2, 2021. The final approval of the accounts is the responsibility of the Shareholders' AGM.

### 2. ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements for the year 2020 were prepared in accordance with IFRS issued by the International Accounting Standards Board ("IASB") and approved by the European Union at the date of the present document. IFRS refers to all the revised International Accounting Standards (IAS), and all of the interpretations of the International Financial Reporting Interpretations Committee ("IFRIC") - previously known as the Standing Interpretations Committee ("SIC").

The financial statements are prepared under the historical cost convention, modified where applicable for the measurement of certain financial instruments, as well as on the going concern assumption.

The accounting principles utilised in the financial statements are the same as those utilised in the previous year.

#### **Accounting standards, amendments and interpretations applied from January 1, 2020**

##### Amendments to IFRS 3 *Definition of a business*

The amendments to IFRS 3 clarify that to be considered a business, any integrated set of activities and assets must include at least one underlying input and process that together significantly contribute to the creation of an output. It has also been made clear that a business can exist without including all the inputs and processes needed to create an output. These amendments did not have any impact on the Company's financial statements, but may have a future effect should the Group undertake any further business combinations.

##### Amendments to IFRS 7, IFRS 9 and IAS 39 *Reform of the interest rates benchmark*

The amendments to IFRS 9 and IAS 39 provide a number of practical expedients that apply to hedging relationships that are directly impacted by benchmark interest rate reform. A hedging relationship that is impacted by the reform is subject to uncertainties about the timing and magnitude of cash flows based on benchmark rates with respect to the hedged instrument. These amendments do not have an impact on the Company's financial statements.

##### Amendments to IAS 1 and IAS 8 *Definition of material*

The amendments provide a new definition of material, stating that "information is material if it is reasonable to assume that its omission, misrepresentation or concealment could influence the decisions that the main users of financial statements prepared for general purposes make on the basis of those financial statements, which provide financial information about the specific reporting entity".

Materiality depends on the nature or extent of the information, or both. An entity assesses whether the information, individually or in combination with other information, is material in the context of the financial statements as a whole. Information is concealed if it is disclosed in such a way as to have, for the main users of the financial statements, a similar effect to the omission or misstatement of the same information. These amendments did not have any impact on the Company's financial statements, and are not expected to have any future impact.

#### Conceptual Framework for Financial Reporting, published March 29, 2018

The Conceptual Framework is not a standard, and none of the concepts contained within it take precedence over the concepts or requirements of a standard. The purpose of the Conceptual Framework is to support the IASB in developing standards, to help those preparing accounts to develop consistent accounting policies where there are no standards applicable in the specific circumstances, and to help all parties involved to understand and interpret the standards.

The revised Conceptual Framework includes some new concepts, provides updated definitions and recognition criteria for assets and liabilities, and clarifies some important concepts. These amendments did not have any impact on the Company financial statements.

#### Amendment to IFRS 16 "Covid-19 Related Rent Concessions"

On May 28, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment introduces a practical expedient whereby a tenant may choose not to consider whether the reduction in lease payments constitutes a contractual modification. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.

The amendments are applicable to financial statements for which the accounting period begins on or after June 1, 2020, with early adoption permitted. The Group applied the practical expedient, without this having any effect on the Company's financial statements.

### 3. FORMAT OF THE FINANCIAL STATEMENTS

BasicNet S.p.A. presents its income statement by nature of cost items; the assets and liabilities are classified between current and non-current. The statement of cash flows was prepared applying the indirect method. The format of the financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements.

### 4. ACCOUNTING POLICIES

The present financial statements were prepared on the going concern basis, and in accordance with the accruals principle. The financial statements are presented in Euro and all values are rounded into thousands of Euro.

The main accounting policies adopted in the preparation of the financial statements at December 31, 2020 are disclosed below:

#### **Revenue recognition**

Revenues derive from Company operations in the ordinary course of business and comprise revenues from sales and services. Revenues are recognised net of sales tax, returns and discounts.

Revenues from contracts with customers are recognised when the control of the goods and services is transferred to the client for an amount which reflects the consideration that the Company expects to receive in exchange for these goods and services. The Company has concluded that generally it acts as the Principal for the agreements from which it receives revenues, as usually it controls the goods and services before their transfer to the customer. In calculating the sales transaction price for goods, the Company considers the effects from variable fees, significant financial components and non-monetary fees. Where the fee concluded in the contract includes a variable amount, such as that connected to a

right of return, the Company estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the customer.

Royalties and sourcing commissions, including the minimum guaranteed component, are recognised on an accruals basis in accordance with the underlying contracts and consistent with the state of advancement of the sales or the production of the licensees.

### **Recognition of costs and expenses**

Costs and expenses are recognised in accordance with the accruals principle.

Cost relating to the preparation and presentation of sample collections are recognised in the income statement in the year in which the sales of the relative collections are realised. Any differences are recorded through accruals.

### **Interest income and expenses, and income and charges**

Interest income and expenses and other income and expenses are recorded and shown in the financial statements on the accrual basis.

In accordance with IAS 23 – *Borrowing costs*, the financial charges directly attributable to the purchase, construction and production of the asset which requires a significant amount of time before use or sale are capitalised together with the value of the asset. Such an event has not arisen up to the present moment for the company. If these conditions are not met the financial charges are expensed directly to the income statement.

### **Dividends**

#### **Dividends received**

Dividends from investees are recognised in the income statement when the right to receive the dividend is established.

#### **Dividends distributed**

Dividends distributed are represented as changes in shareholders' equity in the year in which the Shareholders' AGM approves the distribution and payment.

### **Translation of balances in foreign currencies**

The receivables and payables originally expressed in foreign currencies are translated into Euro at the exchange rate when the transaction originated. Exchange differences arising on collections and payments in foreign currencies are recorded in the income statement.

Revenues and income, costs and charges related to currency transactions are recorded at the exchange rate at the transaction date.

At the end of the period, the assets and liabilities valued in foreign currencies, with the exception of fixed assets, are recorded at the exchange rates at the balance sheet date and the relative gains or losses on exchange are recorded in the income statement.

### **Income taxes**

Income taxes include all the taxes calculated on the assessable income of the Company. They are recognised to the income statement, except those relating to accounts directly credited or debited to equity, in which case the tax effect is recognised directly to equity.

Other taxes not related to income, such as taxes on property and share capital, are included under operating charges.

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the financial statements, with the exception of the goodwill not fiscally deductible and of those differences deriving from investments in subsidiaries for which a write-down is not expected in the future.

Deferred tax assets on fiscal losses and unutilised tax credits carried forward are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

They are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

The Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. BasicNet S.p.A. acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

On September 30, 2019, the Company filed an application to renew the benefits provided by the "Patent Box" regulations for the use of intangible assets for the tax periods from 2020 to 2024, which was followed at the end of the financial year by a subsequent application for the prior definition, on an adversarial basis, of the methods and criteria for determining the "economic contribution" to the production of business income or loss, deriving from the "direct" use of new intangible assets.

#### **Earnings per share/Diluted earnings per share**

In accordance with paragraph 4 of IAS 33 – *Earnings per share*, this latter is only presented at consolidated financial statement level.

#### **Provisions and contingent liabilities**

BasicNet S.p.A. may be involved in legal and tax disputes, concerning specific issues and in various jurisdictions. Considering the uncertainties relating to these issues, it is difficult to predict with certainty any future payments required. In addition, the Company has instigated legal disputes for the protection of its Trademarks, and of its products, against counterfeit products. The cases and disputes against the Company often derive from complex legal issues, which are often subject to varying degrees of uncertainty, including the facts and circumstances relating to each case, jurisprudence and different applicable laws.

In the normal course of business, Management consults with its legal consultants and experts on legal matters.

The Company accrues a liability against disputes when it considers it is probable that there will be a financial payment made and when the amount of the losses arising can be reasonably estimated.

The contingent liabilities are not recorded in the financial statements, but are reported as a disclosure in the Notes unless the probability is remote. In accordance with paragraph 10 of IAS 37 – *Provisions, contingent liabilities and contingent assets* a contingent liability is (a) a possible obligation which derives from past events and whose existence will be confirmed only on the occurrence or otherwise of one or more future uncertain events, not entirely under the control of the enterprise, or (b) a current obligation which derives from past events but which cannot be recorded in the financial statements as the payment is improbable or cannot be reliably estimated.

**Use of estimates**

The preparation of the financial statements and the relative notes in application of IFRS require that management make estimates and assumptions on the values of the assets and liabilities in the financial statements and on the information relating to the assets and contingent liabilities at the balance sheet date. The actual results may differ from such estimates.

Estimates are utilised to measure intangible and tangible assets subject to impairment tests, in addition to recognise provisions on doubtful debts, inventory obsolescence, amortisation and depreciation, the write-down of assets, employee benefits and income taxes.

The estimates and assumptions are reviewed periodically and the effects of all variations are immediately recognised in the income statement.

**Intangible assets**

An intangible asset is a non-monetary asset, identifiable and without physical substance, controllable and capable of generating future economic benefits. Intangible assets are recognised at purchase and/or production cost, including the costs of bringing the asset to its current use net of accumulated amortisation and any loss in value. Amortisation begins when the asset is available for use and is recognised on a straight-line basis over the residual estimated useful life of the asset.

**Software development**

Software acquired and IT programmes developed internally are amortised over five years, while the costs incurred to maintain or upgrade the original operational standard are expensed in the year and are not capitalised.

**Concessions, brands and similar rights**

The brands K-Way and Briko are considered intangible assets with indefinite useful life, in line with that at Group level for the principal brands, Kappa, Robe di Kappa, Superga and Sebago; as such these assets are not amortised but subject to an impairment test at least annually.

The patent rights are amortised over ten years.

**Plant, machinery and other assets**

Plant and equipment are recorded at purchase or production costs, including accessory charges and direct and indirect costs, for the amount reasonably attributable to the assets.

Subsequent expenditures are only capitalised where they increase the future economic benefits of the asset to which they relate. All other costs are expensed as incurred.

Plant and equipment are amortised on a straight-line basis over the estimated useful life of each asset. The depreciation rates by asset category are shown below:

<b>Description</b>	<b>Estimated useful life years</b>
Plant & machinery	4-8
Furniture and furnishings	5-8
Motor vehicles	4
EDP	5-8

Fixed assets which at the balance sheet date are lower than the book value are recorded at this lower value, which however may not be maintained at this value in subsequent periods if the reasons for the adjustment no longer exist.

Ordinary maintenance costs are fully charged to the income statement.

Advances and costs for property, plant and equipment in progress which are not yet utilised in the operating activities are reported separately.

### **Leased assets**

#### *Usage right assets*

The Company recognises the usage right assets at the initial leasing date (i.e. the date on which the underlying asset is available for use). The usage right assets are measured at cost, net of accumulated amortisation and impairments, adjusted for any remeasurement of the lease liabilities.

The cost of the usage right assets includes the amount of the lease liabilities recognised, the initial direct costs incurred and the payment of leases at the commencement date or before, net of any incentives received. Unless the Company does not have the reasonable certainty of obtaining ownership of the leased asset on conclusion of the leasing contract, the usage right assets are amortised on a straight-line basis for a period covering the lesser between the estimated useful life and the lease duration.

Right-of-use assets are subject to impairment.

#### *Lease liabilities*

At the lease commencement date, the Company recognises the lease liabilities measuring them at the present value of the payments due for the lease not yet settled at that date. The payments due include the fixed payments (including the fixed payments in substance), net of any lease incentives to be received, the variable lease payments which depend on an index or a rate and the amounts expected to be paid as guarantee on the residual value. The lease payments include also the exercise price of a purchase option where it is reasonably certain that this option shall be exercised by the Company and the lease termination penalty payments, where its duration takes account of the exercise by the Company of the termination option on the lease.

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs. In calculating the present value of the payments due, the Company uses the marginal loan rate at the commencement date where the implied interest rate may not be easily determined.

After the commencement date, the amount of the lease liability increases to take account of the interest on the lease liabilities and reduces to consider the payments made. In addition, the carrying amount of the lease payables is restated in the case of any changes to the lease or a review of the contractual terms with regards to the change in the fixed payments in substance; it is in addition restated amid changes to the valuation of the acquisition of the underlying asset.

#### *Short-term leases and low value asset leases*

The Company applies the exception for the recognition of short-term leases for machinery and equipment (i.e. leasing with a duration of 12 months or less from the commencement date and not containing a purchase option). The Company has also applied the exception for leases concerning assets of a modest value with regards to the leasing contracts on office equipment whose value is considered low (i.e. below Euro 5,000).

The short-term lease charges and those for low value assets are recognised as costs on a straight-line basis over the lease duration.



**Impairments**

The carrying value of the assets of the Company are measured at each reporting date to determine whether there has been a loss in value, in which case an estimate is made of the recoverable value of the asset. A loss in value (impairment) is recorded in the income statement when the carrying value of an asset or a cash-generating unit exceeds its recoverable value.

The indefinite intangible assets (including goodwill) are tested annually and whenever there is an indication of a possible loss, in order to determine whether a loss in value has occurred.

**Measuring recoverable amount**

The recoverable value of a non-financial asset is the higher of the fair value less costs to sell and the value in use. For the determination of the value in use, the future cash flows are discounted utilising a rate which reflects the current market value of money and of the related risks of the activity. In the case of activities which do not generate cash flows sufficiently independent, it is necessary to calculate the recoverable value of the cash-generating unit to which the asset belongs.

**Write-back of value**

The value is recovered when changes take place in the valuations to determine the recoverable value. The recoverable value is recorded in the income statement adjusting the book value of the asset to its recoverable value. This latter must not be above the value which would have been determined, net of depreciation, if no loss in value of the asset had been recorded in previous years.

**Equity invest. & other financial assets****Investments in subsidiaries, associates and joint ventures**

In the separate financial statements of BasicNet S.p.A. the investments in subsidiaries, associates and joint ventures are recorded at cost, adjusted for any loss in value; the cost includes any directly attributable accessory charges. The positive difference, arising on purchase, between the acquisition cost and the share of net equity of the investment of the Company is, therefore, included in the carrying value of the investment.

Where there is an indication of a loss, the carrying value of the investment must be compared with the recoverable value, represented by the higher between the fair value, net of selling costs, and the value in use. For non-listed investments, the fair value is determined with reference to binding sales agreement. The value in use is determined discounting the expected cash flows from the investment at the weighted average cost of capital, net of the financial debt. The cash flows are determined on the basis of reasonable and identifiable assumptions, represented by the best estimates of the future economic conditions.

Where an impairment loss exists, it is recognised immediately through the income statement. Where the reasons for the write-down no longer exist, the value of the investment is restored within the limit of the original cost through the income statement.

Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, the value of the investment is written down and the share of further losses is recorded as a provision under liabilities if the Company has the obligation to cover such losses.



Other investments

Investments other than those in subsidiaries, associated companies and joint ventures are recognised under non-current assets or current assets if held within the equity of the Company for a period, respectively, of greater than, or not greater than, 12 months.

On acquisition, they are classified to the following categories:

- “financial assets available-for-sale” within non-current or current assets;
- “fair value assets with changes to the book value to the income statement”, within current assets if held-for-trading.

The other investments classified as “financial assets available-for-sale” are measured at fair value; the change to the values of these investments are recognised to a net equity reserve through the other comprehensive income statement items, which will be reversed to the income statement on sale or impairment.

Other non-listed investments classified as “financial assets available-for-sale” for which the fair value may not be reliably estimated are valued at cost, adjusted for impairments to the income statement, according to *IAS 39 – financial instruments: recognition and measurement*.

The reduction in value of other investments classified as “financial assets available-for-sale” may not be subsequently reversed.

Changes in the value of other investments classified as “financial assets at fair value with changes recorded in the income statement” are recognised directly to the Income Statement.

Other financial assets

Financial assets consist of loans are recorded at their estimated realisable value.

Net inventories

Inventory is valued under the average weighted cost method.

Inventories are measured at the lower of purchase or production cost and their net realisable value.

Inventories include incidental charges and direct and indirect costs that can be reasonably allocated. Obsolete and slow-moving inventories are written down in relation to their possible utilisation or realisable value. When in future periods the reasons for the write-down no longer exist, they are restored to the original value.

Receivables and other current assets

Receivables recorded under current assets are stated at their nominal value, which substantially coincides with the amortised cost. The initial value is subsequently adjusted to take account of any write-downs, which reflects the bad debt estimate. The Company applies the simplified approach to calculating expected losses, fully recognising the expected loss at the reporting date according to historic information supplemented by forward looking considerations. Medium/long-term receivables which include an implicit interest component are discounted utilising an appropriate market rate. Receivables transferred without recourse, in which all the risks and benefits are substantially transferred by the owner of the financial assets to the factoring company, are reversed in the financial statements at their nominal value.

Cash and Cash Equivalents

The liquid assets principally relate to current bank accounts and cash. They are recorded for amounts effectively available at year end.

The cash equivalents are invested in highly liquid temporary financial instruments.

**Prepayments and accrued income**

The account includes amounts related to two accounting periods, in accordance with the accruals concept.

**Treasury shares**

Treasury shares are recognised as a deduction from equity. The original cost of the treasury shares and the revenues deriving from any subsequent sale are recognised as equity movements.

**Provisions for risks and charges**

Provisions for risks and charges are recorded in the balance sheet only when a legal or implicit obligation exists deriving from a past event that determines the commitment of resources to produce economic benefits for their compliance and a reliable estimate of the amount can be determined.

**Employee benefits**

The Post-Employment Benefit in accordance with Italian legislation is quantified as a defined benefit plan and is measured in accordance with the “Projected Unit Credit Method”.

From January 1, 2007, this liability refers exclusively to the portion of the Post-Employment Benefit, matured up to December 31, 2006, which following the complementary pension reform (Legislative Decree No. 252 of December 5, 2005) continues to constitute an obligation of the company. Following the entry into force of the above-mentioned reform as enacted by Law No. 296 of December 27, 2006 (2007 Finance Law), the liability, as concerning services already completely matured, was restated without applying the pro-rata of the employment service and without considering, in the actuarial calculation, the components relating to future salary increases.

On June 16, 2011, the IASB issued an amendment to IAS 19 *Employee Benefits*. The new version of IAS 19 requires, in particular, for post-employment benefits, the recognition of the changes of the actuarial gains/losses under other items of the Comprehensive Income Statement. The cost relating to employment services, as well as the interest on the “time value” component in the actuarial calculations remain in the profit and loss account.

The portion of the Post-Employment Benefit paid to a supplementary pension fund is considered a defined contribution plan as the obligation of the company towards the employee ceases with the payment of the amount matured to the funds. Also the portion of the Post-Employment Benefit paid to the INPS Treasury fund is recorded as a defined contribution plan.

**Payables**

Financial payables are recorded at their nominal value which approximates the amortised cost. The book value of the trade and other payables at the balance sheet date approximates their fair value. The book value of the trade and other payables at the balance sheet date approximates their fair value.

**Cash flow hedges and accounting of relative operations**

It is recalled that the BasicNet S.p.A. does not undertake contracts for speculative purposes.

These instruments are initially recorded at their fair value, and subsequently measured according to whether they are “hedged” or “not hedged” as per IFRS 9.

It is recalled that BasicNet S.p.A. does not undertake derivative contracts for speculative purposes.

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

BasicNet S.p.A., before signing a hedge contract, undertakes a close examination of the relationship between the hedge instrument and the item hedged, in view of the objectives to reduce the risk, also evaluating the existence and the continuation over the life of the derivative financial instrument of the effectiveness requirements, necessary for the hedge accounting.

The Company does not utilise fair value hedge instruments.

a) Fair value hedges

The changes in their fair value are recognised in the income statement, together with the changes in the fair value of the relative assets and liabilities hedged.

The Company does not utilise fair value hedge instruments.

b) Cash flow hedges

The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement. The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

c) Derivative financial instruments which do not have the effectiveness requirements for hedge accounting

The derivative financial instruments which do not comply with the requirements of IFRS 9 for the identification of the hedge, where present, are classified in the category of financial assets and liabilities measured at fair value through the profit and loss account.

Hierarchy of Fair Value according to IFRS 7

IFRS 7 requires that the classification of financial instruments measured at fair value is determined based on the quality of the input sources used in the valuation.

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed (“unadjusted”) in active markets for identical assets or liabilities;
- *level 2*: determination of fair value based on other inputs than the listed prices included in “level 1” but which are directly or indirectly observable. This category includes the instruments with which the Company mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data (“unobservable inputs”).

## 5. OTHER INFORMATION

The subsequent events to the end of the year and the outlook for the current year are reported in the Directors’ Report.

Information required by Law No. 124 of August 4, 2017, Article 1, paragraph 125

In accordance with Article 1, paragraph 125 of Law 124/2017, the Company has not received any grants from public bodies in excess of Euro 10 thousand.

Grants obtained as part of the measures to contain the effects of Covid-19 in support of businesses were provided under provisions of a general nature and therefore do not fall within the scope of these regulations. The related effects are summarized in Note 7 below.

**EXPLANATORY NOTES (IN EURO)****6. DISCLOSURE BY OPERATING SEGMENT**

As the Company simultaneously publishes the separate and consolidated financial statements, the operating segment information is provided only for the consolidated financial statements in accordance with IFRS 8 – *Operating segments*.

**7. COVID-19 EFFECTS**

The figures and results commented on in these Explanatory Notes were significantly and extensively impacted by the effects of the pandemic during the year. Key extraordinary and non-recurring items associated with Covid-19 are summarized below:

- personnel costs benefitted from social security contributions totalling Euro 1.1 million;
- overheads include non-recurring charges of Euro 213 thousand, of which Euro 85 thousand relating to sanitising costs and the purchase of personal protective equipment, and for the remainder technical consultancy;
- other income includes grants, primarily in the form of tax credits, amounting to Euro 6 thousand;
- income taxes include the net positive effect of Euro 1.4 million deriving from the release of deferred tax liabilities and the assessment of substitute taxes on the partial realignment of the tax value of trademarks of the K-Way brand, pursuant to Article 110 of Legislative Decree No. 104/2020.

From a financial viewpoint, it should also be noted that the Company obtained the deferral of instalments due in 2020 on medium/long-term loans totalling Euro 3.1 million.

Finally, the Company had access to an unsecured loan of Euro 5.5 million, the use of which is tied to working capital support and salary payments. The loan was disbursed with a guarantee from the SME Guarantee Fund covering 90% of the amount.

**8. DIRECT SALES**

The direct sales of products undertaken by the Company refer only to samples of clothing and footwear to licensees. The breakdown of sample sales is as follows:

	<b>FY 2020</b>	<b>FY 2019</b>
Net sales to third parties	1,272,973	1,666,242
Net sales to subsidiaries	2,525,978	2,535,761
<b>Total direct sales</b>	<b>3,798,951</b>	<b>4,202,003</b>

Sales to subsidiaries are detailed in Note 42.

The direct sale of samples was substantially in line (decrease of Euro 403 thousand).

9. COST OF SALES

The breakdown of the cost of sales is as follows:

	FY 2020	FY 2019
Samples purchased	2,536,361	2,977,005
Freight charges and accessory purchasing cost	667,813	595,663
Change in inventory of raw materials, ancillary, consumables and goods	60,331	(212,352)
Prototypes purchases and development	280,855	534,939
Others	84,553	171,946
<b>Total cost of sales</b>	<b>3,460,807</b>	<b>4,067,201</b>

Sample purchases were made by BasicNet S.p.A. for resale to the licensees. The decrease is related to the reduction in sales.

10. ROYALTIES AND SOURCING COMMISSIONS

The breakdown of royalties and sourcing commissions by geographic area is reported below.

	FY 2020	FY 2019
Europe	15,001,362	16,644,954
The Americas	2,186,899	3,563,337
Asia and Oceania	12,962,234	17,062,690
Middle East and Africa	1,064,706	702,618
<b>Total</b>	<b>31,215,201</b>	<b>37,973,599</b>

Royalty income comprises fees on licenses for know-how and the development of the Group brand collections, in addition to royalties for the use of the K-Way and Briko brands. Sourcing commissions stem from usage rights of the know-how and are charged to the licensee producers on the sales made by them to the licensees of the Network.

This decrease is described in the Directors' Report, based on the consolidated figures, whose effects are reflected also in the Company figures.

11. OTHER INCOME

	FY 2020	FY 2019
Assistant services to Group companies	6,625,000	6,087,000
Other income	1,074,890	799,862
<b>Total other income</b>	<b>7,699,890</b>	<b>6,886,862</b>

The "revenues for assistant services to Group companies" originates from assistance and consultancy in administration and finance, payroll, commercial contract agreements and IT services provided by the Parent Company to the subsidiaries BasicItalia S.p.A., Basic Village S.p.A., Basic Trademark S.r.l., Jesus Jeans S.r.l., TOS S.r.l. Basic Air S.r.l., Basic Retail S.r.l., Kappa Europe S.A.S. and BasicRetail Suisse SA.

"Other income" in 2020 includes income from co-branded production contracts, recovery of legal fees on settlements reached and positive differences on prior year expenses, as well as minor items.

## 12. SPONSORSHIP AND MEDIA COSTS

	<b>FY 2020</b>	<b>FY 2019</b>
Communication contributions	694,424	670,418
Promotional expenses	353,980	535,325
Advertising	241,442	318,588
<b>Total sponsorship and media costs</b>	<b>1,289,846</b>	<b>1,524,331</b>

Communication contributions are paid to commercial licensees for international communication and endorsement activities

## 13. PERSONNEL COSTS

	<b>FY 2020</b>	<b>FY 2019</b>
Wages and salaries	7,189,891	7,444,634
Social security charges	2,390,810	2,493,096
Post-employment benefits	518,530	510,977
<b>Total</b>	<b>10,099,231</b>	<b>10,448,707</b>

Personnel costs include all charges relating to the provision of employment services of BasicNet S.p.A.. The changes in the headcount during the year were as follows:

Category	Human resources at December 31, 2020				Human resources at December 31, 2019			
	Number		Average age		Number		Average age	
	Male/ Female	Total	Male/ Female	Average	Male/ Female	Total	Male/ Female	Average
Executives	16 / 7	23	46 / 52	48	16 / 8	24	46 / 53	48
White-collar	64 / 132	196	37 / 39	38	73 / 130	203	36 / 38	37
Blue-collar	1 / 2	3	40 / 49	46	1 / 2	3	39 / 48	45
<b>Total</b>	<b>81 / 141</b>	<b>222</b>	<b>39 / 39</b>	<b>39</b>	<b>90 / 140</b>	<b>230</b>	<b>37 / 39</b>	<b>38</b>

The average number of Employees in 2020 was 227, comprising 23 executives, 201 white-collar employees and 3 blue-collar employees.

14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

The breakdown of service costs is presented in the table below:

	<b>FY 2020</b>	<b>FY 2019</b>
Commercial expenses	3,550,759	5,292,592
Rental, accessory and utility expenses	2,727,494	2,395,190
Directors and Statutory Auditors emoluments	3,199,117	2,972,516
Doubtful debt provision	4,308,890	403,536
Sales services	628,809	809,287
Professional consultants	1,622,753	1,703,071
Other general expenses	3,703,893	3,453,676
<b>Total selling, general and administrative costs, and royalties</b>	<b>19,741,715</b>	<b>17,029,868</b>

"Commercial expenses" include costs connected with commercial activities, travel expenses and the cost of design and graphic consultancy services. The decrease is due to lower commercial activity on the brands and the reduction, due to Covid-19, of work missions abroad.

"Rental, accessory and utility expenses" principally relate to the offices of the company, owned by the subsidiary Basic Village S.p.A.

The company's remuneration policy, as well as Directors and Statutory Auditors emoluments for the offices held, pursuant to Article 78 of Consob Regulation No. 11971/97 and thereafter are reported in the Remuneration Report pursuant to Article 123-ter of the CFA (reported net of tax charges) which is available on the company's website [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp), to which reference should be made.

The higher doubtful debt provision relates to certain positions and includes a specific item regarding the early termination of a commercial license, the assignment of which to a new leading commercial partner is in advanced negotiations.

"Sales services" include expenses for exporting samples in addition to "royalties" charges" principally relating to co-branding operations.

"Other general expenses" includes bank charges, other taxes, consumption materials, hire charges, and corporate and other minor expenses.

The increase also incorporates purchases of prevention and sanitization supplies related to Covid-19.

15. AMORTISATION & DEPRECIATION

Depreciation of fixed assets includes depreciation on finance lease assets.

	<b>FY 2020</b>	<b>FY 2019</b>
Intangible assets	1,685,455	1,663,431
Right-of-use	1,714,909	1,533,598
Property, plant & equipment	786,279	729,438
<b>Total amortisation &amp; depreciation</b>	<b>4,186,643</b>	<b>3,926,467</b>

16. NET FINANCIAL INCOME/(CHARGES)

	FY 2020	FY 2019
Interest on bank deposits	118	186
Intercompany interest income	173,035	264,201
Other interest income	33,049	-
Bank interest charges	(53,438)	(60,504)
Interest on medium/long term loans	(189,633)	(212,738)
Medium/long term loan charges	(13,333)	(17,648)
Other interest charges	(274,649)	(44,763)
<b>Total financial income and charges</b>	<b>(324,851)</b>	<b>(71,266)</b>
Exchange rate gains	491,421	540,154
Exchange rate losses	(1,158,569)	(182,711)
<b>Net exchange gains/(losses)</b>	<b>(667,147)</b>	<b>357,443</b>
<b>Total financial income/(charges)</b>	<b>(991,998)</b>	<b>286,177</b>

“Intercompany interest income” derives from operations during the year and regulated through intercompany accounts, remunerated at market rates.

“Interest on medium/long-term loans” refers to the “Intesa Loan”, the “BNL Loan” and the “MPS Loan” as described at Note 30.

“Exchange gains realised” in 2020 amounted to Euro 371 thousand and “exchange losses realised” amounted to Euro 577 thousand. The translation of credit and debit balances at year-end resulted in the recognition of “non-realised exchange gains” of Euro 112 thousand and “non-realised exchange losses” of Euro -581 thousand.

17. DIVIDENDS

During the year, the Company received the following dividends, following resolutions:

- from the subsidiary Basic Net Asia Ltd., a dividend of HK 3.5 million, equivalent to approximately Euro 384 thousand;
  - from the subsidiary Jesus Jeans S.r.l. a dividend of approx. Euro 114 thousand;
  - from the subsidiary Tos S.r.l. a dividend of approx. Euro 600 thousand;
- for a total of Euro 1.1 million.

18. INCOME TAXES

The balance of taxes was tax income of Euro 698 thousand as follows:

- current income taxes of Euro 2.6 million, primarily Euro 2 million of IRES and Euro 0.6 million of IRAP;



- deferred tax income of Euro 2.5 million, of which Euro 1.5 million due to the recognition of the tax benefit provided for by Article 110 of Legislative Decree No. 104/2020, which allowed for the partial realignment of the tax value of the brand K-Way in portfolio to the higher value recorded in the financial statements;
- implementation of the benefits arising from the application of the "Patent Box" regulations (Euro 1.1 million);
- substitute taxes amounting to Euro 0.2 million and other minor items amounting to Euro 0.1 million.

The reconciliation between the theoretical and actual rate is shown below:

	<b>FY 2020</b>	<b>FY 2019</b>
Profit before taxes	4,041,653	17,152,067
Income tax rate	24.0%	24.0%
<b><i>Theoretical IRES</i></b>	<b><i>(969,997)</i></b>	<b><i>(4,116,496)</i></b>
Permanent tax differences effect	(120,517)	717,500
Prior year taxes	(157,743)	11,151
Patent Box benefit	1,130,618	1,583,215
Substitute tax Article 110 Law Decree No. 104/2020	(159,296)	-
Adjustment of deferred taxes pursuant to Article 110 of Law Decree No. 104/2020	1,521,276	-
IRAP	(569,848)	(764,871)
Other changes	23,450	(95,998)
<b>EFFECTIVE TAX CHARGE</b>	<b>697,943</b>	<b>(2,665,499)</b>
<b>Effective tax rate</b>	<b>17.3%</b>	<b>(15.5%)</b>

<b>Patent Box benefit</b>	<b>FY 2020</b>	<b>FY 2019</b>
Effect prior years	149,115	(7,196)
Effects in the current year	981,503	1,590,411
<b>TOTAL</b>	<b>1,130,618</b>	<b>1,583,215</b>

**EXPLANATORY NOTES TO THE BALANCE SHEET (IN EURO)****ASSETS****19. INTANGIBLE ASSETS**

The breakdown of intangible assets at December 31, 2020 compared to the previous year-end and the movements during the year are reported in the table below:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Concessions, brands and similar rights	9,593,318	9,345,270	248,046
Other intangible assets	3,303,393	2,934,827	368,568
Industrial patents & intellectual property rights	109,062	107,285	1,777
<b>Total intangible assets</b>	<b>13,005,773</b>	<b>12,387,382</b>	<b>618,391</b>

The changes in the original costs of the intangible assets were as follows:

	<b>Concessions, brands, and similar rights</b>	<b>Other intangible assets</b>	<b>Industrial patents</b>	<b>Total</b>
<b>Historical cost</b>				
<b>Jan 1, 2019</b>	<b>14,543,392</b>	<b>32,570,600</b>	<b>121,350</b>	<b>47,235,342</b>
<i>Additions</i>	<i>164,872</i>	<i>1,565,108</i>	<i>70,798</i>	<i>1,800,778</i>
<i>Divestments</i>	<i>(700,000)</i>			<i>(700,000)</i>
<i>Reclass.</i>	<i>(2,200)</i>	<i>598</i>		<i>(1,602)</i>
<b>Historical cost</b>				
<b>Dec. 31, 2019</b>	<b>14,006,064</b>	<b>34,136,306</b>	<b>192,148</b>	<b>48,334,518</b>
<i>Additions</i>	<i>1,316,755</i>	<i>7,917,542</i>	<i>18,533</i>	<i>3,252,830</i>
<i>Divestments</i>	<i>(900,369)</i>	-	-	<i>(900,369)</i>
<i>Intercompany sales</i>	<i>(48,615)</i>	-	-	<i>(48,615)</i>
<b>Historical cost</b>				
<b>At 31.12.2020</b>	<b>14,373,836</b>	<b>36,053,849</b>	<b>210,679</b>	<b>50,638,364</b>

The changes in the relative accumulated depreciation provisions were as follows:

	<b>Concessions, brands, and similar rights</b>	<b>Other intangible assets</b>	<b>Industrial patents</b>	<b>Total</b>
<b>Acc. Amort.</b>				
<b>Jan 1, 2019</b>	<b>4,546,010</b>	<b>(29,880,569)</b>	<b>(69,839)</b>	<b>(34,496,418)</b>
<i>Amortisation</i>	<i>(116,466)</i>	<i>(1,531,941)</i>	<i>(15,024)</i>	<i>(1,663,431)</i>
<i>Reclass.</i>	<i>1,682</i>	<i>211,031</i>	-	<i>212,713</i>
<b>Acc. Amort.</b>				
<b>At Dec 31, 2019</b>	<b>(4,660,794)</b>	<b>(31,201,479)</b>	<b>(84,863)</b>	<b>(35,947,136)</b>
<i>Amortisation</i>	<i>(119,725)</i>	<i>(1,548,975)</i>	<i>(16,755)</i>	<i>(1,685,455)</i>
<i>Reclass.</i>	-	-	-	-
<b>Acc. Amort.</b>				
<b>At Dec 31, 2020</b>	<b>(4,780,517)</b>	<b>(32,750,455)</b>	<b>(101,619)</b>	<b>(37,632,592)</b>

The changes in intangible assets during 2020 are shown in the table below:

	<b>Concessions, brands, and similar rights</b>	<b>Other intangible assets</b>	<b>Industrial patents</b>	<b>Total</b>
<b>Opening net book value</b>				
<b>Jan 1, 2019</b>	<b>9,997,382</b>	<b>2,690,031</b>	<b>51,511</b>	<b>12,738,924</b>
<i>Additions</i>	<i>164,872</i>	<i>1,565,108</i>	<i>70,798</i>	<i>1,800,778</i>
<i>Divestments</i>	<i>(700,000)</i>	<i>-</i>	<i>-</i>	<i>(700,000)</i>
<i>Reclass.</i>	<i>(518)</i>	<i>211,629</i>		<i>211,111</i>
<i>Amortisation</i>	<i>(116,466)</i>	<i>(1,531,941)</i>	<i>(15,024)</i>	<i>(1,663,431)</i>
<b>Closing net book value</b>				
<b>At Dec 31, 2019</b>	<b>9,345,270</b>	<b>2,934,827</b>	<b>107,285</b>	<b>12,387,382</b>
<i>Additions</i>	<i>1,316,755</i>	<i>1,917,542</i>	<i>18,533</i>	<i>3,252,830</i>
<i>Divestments</i>	<i>(900,369)</i>	<i>-</i>	<i>-</i>	<i>(900,369)</i>
<i>Intercompany sales</i>	<i>(48,615)</i>	<i>-</i>	<i>-</i>	<i>(48,615)</i>
<i>Amortisation</i>	<i>(119,725)</i>	<i>(1,548,975)</i>	<i>(16,755)</i>	<i>(1,685,455)</i>
<b>Closing net book value</b>				
<b>At Dec 31, 2020</b>	<b>9,593,318</b>	<b>3,303,393</b>	<b>109,062</b>	<b>13,005,773</b>

At December 31, 2020, the intangible assets report investments of Euro 3.3 million and amortisation of Euro 1.7 million.

The investments in “concessions, brands and similar rights” are due to the capitalisation of costs incurred for the registration of trademarks in new European countries, for renewals and extensions and for the purchase of software licenses.

The value of the divestment is due to the sale of the Briko brand to the subsidiary Basic Trademark S.r.l with deed dated May 20, 2020 at a book value of Euro 0.9 million.

The brand K-Way has a book value of Euro 9.3 million at December 31, 2020 and is considered an intangible asset with an indefinite useful life.

The impairment test on the book value of the brands was carried out in line with previous years, discounting the royalty net cash flows estimated from the brands based on the plans approved by the Board of Directors. For the years beyond the plan period a terminal value was estimated assuming a growth rate of 1% (1.0% in 2019). These net cash flows were discounted at the weighted average cost of capital (WACC) equal to 6.80% (6.70% in 2019), determined with reference to parameters taken from the principal financial information websites.

Following the impairment test, no write-down was required on the brand, whose value in use, in line with previous years, is higher than its book value, even after analysis of the sensitivity of the main parameters. Similarly, the development of alternative scenarios involving a slippage in the recovery, reflecting the current degree of uncertainty about future economic prospects, also revealed the presence of significant headroom.

The breakdown of “other intangible assets” is as follows:

	December 31, 2020	December 31, 2019	Changes
Software development	3,293,632	2,931,454	362,178
Other intangible assets	9,762	3,373	6,389
<b>Total other intangible assets</b>	<b>3,303,393</b>	<b>2,943,827</b>	<b>368,568</b>

The account increased Euro 1.9 million, principally due to the implementation of new software programmes realised internally and decreased Euro 1.5 million due to the amortisation for the year.

## 20. RIGHT-OF-USE

The Group adopted IFRS 16 and utilised the exceptions under the standard on leasing contracts which, at the date of initial application, have a duration of equal to or less than 12 months and which do not contain a purchase option (“short-term leasing”) and on leases whose underlying asset is of a low value (“low value asset”).

	December 31, 2020	December 31, 2019	Changes
Right-of-use	10,175,117	9,239,766	935,351
<b>Total right-of-use</b>	<b>10,175,117</b>	<b>9,239,766</b>	<b>935,351</b>

The changes in the original cost of the right-of-use were as follows:

	2020	2019
<b>Historical cost at 01.01</b>	<b>18,175,847</b>	<b>9,201,589</b>
<i>Additions</i>	<i>1,299,500</i>	<i>8,974,258</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>-</i>
<b>Historical cost at 31.12.</b>	<b>19,475,347</b>	<b>18,175,847</b>

The changes in the relative accumulated amortisation provisions were as follows:

	2020	2019
<b>Acc. Amort. at 01.01</b>	<b>(8,936,081)</b>	<b>(7,402,483)</b>
<i>Amortisation</i>	<i>(1,714,909)</i>	<i>(1,533,598)</i>
<i>Disposals and other changes</i>	<i>1,350,760</i>	<i>-</i>
<b>Acc. Deprec. at 31.12.</b>	<b>(9,300,230)</b>	<b>(8,936,081)</b>

The movements in the net book value of the right-of-use is shown below:

	2020	2019
<b>Net book value at 01.01</b>	<b>9,239,766</b>	<b>1,799,106</b>
<i>Additions</i>	<i>1,299,500</i>	<i>8,974,258</i>
<i>Disposals and other changes</i>	<i>1,350,760</i>	-
<i>Amortisation</i>	<i>(1,714,909)</i>	<i>(1,533,598)</i>
<b>Net book value at 31.12.</b>	<b>10,175,117</b>	<b>9,239,766</b>

## 21. PLANT, MACHINERY AND OTHER ASSETS

The breakdown of plant, machinery and other assets at December 31, 2020 compared to the previous year is shown in the table below:

	December 31, 2020	December 31, 2019	Changes
Plant & machinery	22,527	38,764	(16,237)
Industrial and commercial equipment	93,242	105,995	(12,753)
Other assets	2,880,547	2,985,477	(104,930)
<b>Total plant, machinery and other assets</b>	<b>2,996,316</b>	<b>3,130,236</b>	<b>(133,920)</b>

The changes in the historical cost of plant, machinery and other assets were as follows:

	Plants & equipment	Industrial & commercial equipment	Other assets	Total
<b>Historical cost Jan 1, 2019</b>	<b>263,014</b>	<b>403,698</b>	<b>9,320,626</b>	<b>9,987,338</b>
<i>Additions</i>	<i>9,330</i>	<i>24,601</i>	<i>882,182</i>	<i>916,113</i>
<i>Divestments</i>	-	-	<i>(2,079)</i>	<i>(2,079)</i>
<i>Reclass.</i>	-	-	<i>9,225</i>	<i>9,225</i>
<b>Historical cost Dec 31, 2019</b>	<b>272,344</b>	<b>428,299</b>	<b>10,209,954</b>	<b>10,910,597</b>
<i>Additions</i>	-	<i>15,192</i>	<i>637,512</i>	<i>652,704</i>
<i>Divestments</i>	-	-	<i>(5,182)</i>	<i>(5,182)</i>
<i>Reclass.</i>	-	-	-	-
<b>Historical cost Dec 31, 2020</b>	<b>272,344</b>	<b>443,493</b>	<b>10,842,285</b>	<b>11,558,120</b>

The changes in the relative accumulated depreciation provisions were as follows:

	<b>Plant &amp; equipment</b>	<b>Industrial &amp; commercial equipment</b>	<b>Other assets</b>	<b>Total</b>
<b>Acc. Deprec. Jan 1, 2019</b>	<b>(212,699)</b>	<b>(296,737)</b>	<b>(6,462,054)</b>	<b>(6,971,490)</b>
<i>Depreciation</i>	<i>(20,881)</i>	<i>(26,484)</i>	<i>(682,073)</i>	<i>(729,438)</i>
<i>Divestments</i>	-	-	2,024	2,024
<i>Reclass.</i>	-	917	(82,374)	(81,457)
<b>Acc. Deprec. Dec 31, 2019</b>	<b>(233,580)</b>	<b>(322,304)</b>	<b>(7,224,477)</b>	<b>(7,780,361)</b>
<i>Depreciation</i>	<i>(16,237)</i>	<i>(27,946)</i>	<i>(742,097)</i>	<i>(786,279)</i>
<i>Divestments</i>	-	-	4,837	4,837
<i>Reclass.</i>	-	-	-	-
<b>Acc. Deprec. Dec 31, 2020</b>	<b>(249,817)</b>	<b>(350,250)</b>	<b>(7,961,737)</b>	<b>(8,561,803)</b>

The changes in the plant and machinery are shown in the table below:

	<b>Plant &amp; equipment</b>	<b>Industrial &amp; commercial equipment</b>	<b>Other assets</b>	<b>Total</b>
<b>Closing net book value Jan 1, 2019</b>	<b>50,315</b>	<b>106,961</b>	<b>2,858,572</b>	<b>3,015,848</b>
<i>Additions</i>	<i>9,330</i>	<i>24,601</i>	<i>882,182</i>	<i>916,113</i>
<i>Divestments</i>	-	-	(55)	(55)
<i>Depreciation</i>	<i>(20,881)</i>	<i>(26,484)</i>	<i>(682,073)</i>	<i>(729,438)</i>
<i>Reclass.</i>	-	917	(73,149)	(72,232)
<b>Closing net book value Dec 31, 2019</b>	<b>38,764</b>	<b>105,995</b>	<b>2,985,477</b>	<b>3,130,236</b>
<i>Additions</i>	-	15,192	637,512	652,704
<i>Divestments</i>	-	-	(345)	(345)
<i>Depreciation</i>	<i>(16,237)</i>	<i>(27,946)</i>	<i>(742,097)</i>	<i>(786,279)</i>
<i>Reclass.</i>	-	-	-	-
<b>Closing net book value Dec 31, 2020</b>	<b>22,527</b>	<b>93,242</b>	<b>2,880,547</b>	<b>2,996,316</b>

This account “other assets” consist of:

	December 31, 2020	December 31, 2019	Changes
EDP	750,034	763,102	(13,069)
Furnishings and fittings	398,792	422,915	(24,123)
Motor vehicles	92,008	77,823	14,185
Other assets	1,639,713	1,721,637	(81,923)
<b>Total other assets</b>	<b>2,880,547</b>	<b>2,985,477</b>	<b>(104,930)</b>

Capex in the year relates to the acquisition of furniture and fittings and EDP for Euro 344 thousand, moulds for new products for Euro 225 thousand, and equipment and motor vehicles for Euro 80 thousand and other minor assets.

The account “other assets” includes the purchase cost of an IT collection comprising rare pieces which represents significant elements and representative of the IT revolution, in the 1970’s and 1980’s with the advent of the new personal computer. This collection is utilised in many events related to the promotion of the brands and logos of the Group. The account also includes the purchase cost of moulds for footwear, eyewear and helmets so that ownership is held in order to control the strategic stages of the production process utilised by the suppliers’ of finished products.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2020	Net value at December 31, 2019	Changes
EDP	68,825	109,705	(40,880)
Motor vehicles	80,973	54,722	26,251
<b>Total</b>	<b>149,798</b>	<b>164,426</b>	<b>(14,629)</b>

The net book value at December 31, 2020 of property, plant and equipment acquired according to the finance lease formula relates to EDP for approx. Euro 69 thousand and motor vehicles for approx. Euro 81 thousand.

22. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

Reference should be made to Attachment 2 for information on the book value of the investments in subsidiaries and changes in the year and the relative portion of shareholders' equity.

	December 31, 2020	December 31, 2019	Changes
Investments in:			
- Subsidiaries	35,772,624	35,764,489	8,135
- Joint ventures	-	500,000	(500,000)
- Other companies	127	127	-
<b><i>Total investments</i></b>	<b><i>35,772,751</i></b>	<b><i>36,264,616</i></b>	<b><i>(491,865)</i></b>
Receivables:			
- Other receivables	31,983	31,983	-
<b><i>Total financial receivables</i></b>	<b><i>31,983</i></b>	<b><i>31,983</i></b>	<b><i>-</i></b>
<b>Total investments &amp; other financial assets</b>	<b>35,804,734</b>	<b>36,296,599</b>	<b>(491,865)</b>

Within Joint Ventures the reduction is due to the sale of the equity investment in the company Fashion S.r.l. to the subsidiary Basic Trademark S.r.l. at book value on May 20, 2020.

In line with the practice adopted by other large listed groups in Italy, BasicNet S.p.A. identifies in the negative differential between the share of net equity held in the subsidiary and its book value an indicator of an impairment for the investments of control in its financial statements.

This case would only be evident for the subsidiary BasicItalia S.p.A.; this element, together with the effects of the global pandemic in progress, which represents an external indicator of impairment, led to the assessment of possible impairment.

The key assumptions utilised for the calculation principally refer to:

- the estimate of the future net cash flows is based on the plans approved by the Board of Directors and on reasonable and sustainable assumptions, with respect to future and historical cash flows;
- the terminal value, equal to the value of the cash flows at the end of the explicit time period, is calculated assuming a perpetual prudent growth rate of 0.0%;
- the discounting of the weighted average cost of capital (WACC) of 8.00%.

Following the impairment test no write-down is required of the book value of the investment. The value in use thus determined are significantly higher than their carrying amount: in particular, the sensitivity analyses carried out against this backdrop confirmed the full recoverability of the value of the investment even in the event of significant reductions in expected cash flows or a significant increase in discount rates.

Other receivables refer to guarantee deposits.



23. DEFERRED TAX ASSETS

The breakdown is shown below:

	December 31, 2020	December 31, 2019	Changes
Deferred tax assets	1,830,497	-	1,830,497
<b>Total deferred tax assets</b>	<b>1,830,497</b>	<b>-</b>	<b>1,830,497</b>

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes.

The deferred tax assets and liabilities recognised and their impact are reported in the table below:

(in thousands of Euro)	December 31, 2020			December 31, 2019			Changes 2020/2019
	Amount of temporary differences	Rate %	Tax effect	Amount of temporary differences	Rate %	Tax effect	
<u>Deferred tax assets:</u>							
- Excess doubtful debt provision not deductible	(5,034)	24.00%	(1,208)	(1,288)	24.00%	(309)	(899)
- Inventory obsolescence provision	(2,193)	24.00%	(559)	(1,893)	24.00%	(487)	(72)
- Misc. charges temporarily non-deductible	-	24.00%	-	(562)	24.00%	(136)	(6)
- ROL surplus	(588)	24.00%	(141)	-	24.00%	-	-
- Effect IFRS 16 - lease payables	-	27.90%	-	(5)	27.90%	(1)	1
- Prudent exchange differences, net	(469)	27.90%	(113)	-	27.90%	-	(113)
- Effect IFRS 9 – Financial instruments	-	24.00%	-	-	24.00%	-	-
- Effect IAS 19 – Post-employment benefits provision	(40)	24.00%	(10)	(33)	24.00%	(8)	(2)
<b>Total</b>	<b>(8,324)</b>		<b>(2,030)</b>	<b>(3,782)</b>		<b>(941)</b>	<b>(1,090)</b>
<u>Deferred tax liabilities:</u>							
- Dividends not received	-	24.00%	-	111	24.00%	27	(27)
- Prudent exchange differences, net	-	24.00%	-	62	24.00%	15	(15)
- Amortisation/Depreciation tax basis	693	27.90%	200	5,538	27.90%	1,586	(1,386)
<b>Total</b>	<b>693</b>		<b>200</b>	<b>5,712</b>		<b>1,628</b>	<b>(1,428)</b>
Net deferred tax liability (asset)	(7,630)		(1,830)	1,930		687	(2,518)
Deferred tax asset relating to fiscal losses						-	
<b>Deferred tax liabilities (asset) as per financial statements</b>			<b>(1,830)</b>			<b>687</b>	<b>(2,518)</b>

Deferred tax assets are recorded considering probable their recovery based on future profit expectations, and principally relate to non-deductible doubtful debt provisions (approx. Euro 1.2 million) and non-deductible inventory obsolescence provisions (approx. Euro 0.6 million).

The change in the year is mainly attributable to the effects of the release of deferred taxes allocated in previous years related to the alignment of tax values to the book values of the K-Way brand (Note 18).

24. NET INVENTORIES

The composition of the item is as follows:

	December 31, 2020	December 31, 2019	Changes
Finished products and goods	2,624,055	2,384,386	239,669
<b>Gross value</b>	<b>2,624,055</b>	<b>2,384,386</b>	<b>239,669</b>
Inventory obsolescence provision	(2,192,775)	(1,892,775)	(300,000)
<b>Total net inventories</b>	<b>431,280</b>	<b>491,611</b>	<b>(60,331)</b>

“Inventories” includes samples to be sold to licensees. Inventories are valued under the weighted average cost method and net of the obsolescence provision considered reasonable for a prudent valuation of inventories of prior year sample collections. The movements in the provision during the year were as follows:

	2020	2019
<b>Inventory obsolescence provision at 01.01</b>	<b>1,892,775</b>	<b>1,492,775</b>
Provisions in the year	300,000	400,000
Utilisations	-	-
<b>Inventory obsolescence provision at 31.12</b>	<b>2,192,775</b>	<b>1,892,775</b>

The provision was not utilised in the year.

25. TRADE RECEIVABLES

	December 31, 2020	December 31, 2019	Changes
Trade receivables - Italy	371,443	608,149	(236,706)
Trade receivables - Abroad	12,121,878	16,803,770	(4,681,892)
Doubtful debt provision	(5,259,436)	(1,429,206)	(3,830,230)
<b>Total trade receivables</b>	<b>7,233,885</b>	<b>15,982,713</b>	<b>(8,748,828)</b>

In particular, the breakdown of foreign receivables is as follows:

	December 31, 2020	December 31, 2019	Changes
Europe	1,734,348	2,033,314	(298,966)
The Americas	1,681,125	2,776,456	(1,095,331)
Asia and Oceania	8,449,915	11,727,660	(3,277,745)
Middle East and Africa	256,490	266,340	(9,850)
<b>Total</b>	<b>12,121,878</b>	<b>16,803,770</b>	<b>(4,681,892)</b>

“Trade receivables” were written down to their realisable value through the doubtful debt provision, although the majority of the receivables are secured by bank guarantees.

The provision at the end of the year represents a prudent estimate of the risk. The movements in the doubtful debt provision during the year were as follows:

	2020	2019
<b>Doubtful debt provision at 01.01</b>	<b>1,429,206</b>	<b>1,388,699</b>
Utilization for administration procedures and other losses	(478,660)	(159,493)
Provisions in the year	4,308,890	200,000
<b>Doubtful debt provision at 31.12</b>	<b>5,259,436</b>	<b>1,429,206</b>

The utilisation of the provision relates to the write-off made on the certainty of the receivable non-recoverability and consequent tax deductibility of the loss.

The book value of receivables, all due within one year, is in line with their fair value.

## 26. OTHER CURRENT ASSETS

	December 31, 2020	December 31, 2019	Changes
Receivables from Group companies	72,088,335	63,915,224	8,173,111
Tax receivables	856,206	1,072,881	(216,675)
Other receivables	1,371,462	887,234	484,228
<b>Total other current assets</b>	<b>74,316,003</b>	<b>65,875,339</b>	<b>8,440,664</b>

The breakdown of “receivables from Group companies” is as follows:

	December 31, 2020	December 31, 2019	Changes
<i><b>Trade receivables</b></i>			
BasicItalia S.p.A.. with sole shareholder	3,850,240	4,292,825	(442,585)
BasicNet Asia Company Limited (Vietnam) Ltd	46,383	-	46,383
Kappa France S.A.S.	826,674	2,571,440	(1,744,766)
Basic Properties S.r.l. with sole shareholder *	-	2,279,559	(2,279,559)
Preppy Cotton AG	205,337	152,707	52,631
BasicRetail S.r.l. with sole shareholder	150,000	-	150,000
TOS S.r.l. with sole shareholder	27,347	21,764	5,583
Kappa Europe S.A.S.	16,000	20,000	(4,000)
Superga Trademark S.r.l. with sole shareholder *	-	13,838	(13,838)
Jesus Jeans S.r.l. with sole shareholder	3,207	7,521	(4,314)
BasicRetail SUISSSE	10,000	-	10,000
Basic Village S.p.A. with sole shareholder	1,065	971	94
Fashion S.r.l.	-	183	(183)
<b>Total trade receivables</b>	<b>5,136,253</b>	<b>9,360,808</b>	<b>(4,224,555)</b>
<i><b>Financial receivables</b></i>			
BasicItalia S.p.A. with sole shareholder	27,891,391	26,917,125	974,266
Superga Trademark S.r.l. with sole shareholder *	-	10,124,677	(10,124,677)
Kappa Europe S.A.S.	3,000,000	-	3,000,000
TOS S.r.l. with sole shareholder	9,599,624	9,803,925	(204,302)
Basic Village S.p.A. with sole shareholder	17,024,600	5,844,719	11,179,881
BasicRetail S.r.l. with sole shareholder	828,204	811,170	17,034
BasicAir S.r.l. with sole shareholder	302,313	584,302	(281,989)
BasicTrademark S.r.l. with sole shareholder	8,305,951	468,498	7,837,454
<b>Total financial receivables</b>	<b>66,952,082</b>	<b>54,554,416</b>	<b>12,397,667</b>
<b>Total</b>	<b>72,088,335</b>	<b>63,915,224</b>	<b>8,173,111</b>

\* companies merged into Basic Trademark S.r.l. during the year

Financial receivables originate from loans and advances for the cash needs of the subsidiaries within the centralised treasury management; these receivables are at market interest rates and vary in accordance with the financial cash flow needs within the Group.

Receivables from Superga Trademark S.r.l and Basic Properties S.r.l were merged into Basic Trademark S.r.l. following the merger of Superga Trademark S.r.l into Basic Properties S.r.l. and the reverse merger of Basic Properties S.r.l. into Basic Trademark S.r.l. which took place on April 22, 2020.

The increase in “financial receivables” from Basic Village S.p.A. is due to the loan made to support investment linked to the purchase and restructuring of the property located in Milan.

No receivables have a residual duration of above 5 years.

The account “tax receivables” includes withholdings on royalties totalling Euro 196 thousand.

The account “other receivables” includes the premium paid to the insurance company against the Directors Termination Indemnities for the Chairman of the Board of Directors of Euro 1.0 million, as approved by the Shareholders’ Meeting for the 2019-2021 three-year mandate, as described in the Remuneration Report to which reference should be made and other minor amounts.

## 27. PREPAYMENTS

The table below shows the breakdown of the account:

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Prepaid expenses on future collections	3,526,994	3,952,521	(425,527)
Rentals, leases, hire and other	159,447	619,679	(460,232)
Assistance and maintenance contract	223,492	208,566	14,926
Others	76,292	21,632	54,660
<b>Total prepayments</b>	<b>3,986,225</b>	<b>4,802,398</b>	<b>(816,173)</b>

Prepaid costs include creative personnel costs, sample costs for collections for which the corresponding sales revenues have not been realised and costs for trade fairs and exhibitions for future collections and the relative sales meetings.

## 28. CASH AND CASH EQUIVALENTS

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Bank and postal deposits	3,406,692	1,501,456	1,905,236
Cash in hand and similar	3,168	17,321	(14,152)
<b>Total cash and cash equivalents</b>	<b>3,409,860</b>	<b>1,518,777</b>	<b>1,891,083</b>

“Bank deposits” refer to temporary current account balances principally due to receipts from clients.

**SHAREHOLDERS' EQUITY & LIABILITIES****29. SHAREHOLDERS' EQUITY**

	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
Share capital	31,716,673	31,716,673	-
Treasury shares	(24,678,900)	(22,225,090)	(2,453,809)
Legal reserve	6,343,334	6,310,916	32,418
Treasury shares in portfolio reserve	24,678,900	22,225,090	2,453,809
Other reserves:			
- cash flow hedge reserve	-	-	-
- remeasurement reserve for defined benefit plans (IAS 19)	(115,687)	(108,392)	(7,295)
- retained earnings	48,732,700	42,938,384	5,794,315
- IAS 19 Reserve	(86,584)	(86,584)	-
- Exchange gains reserve	62,494	-	62,494
Net Profit	4,739,596	14,486,568	(9,746,972)
<b>Total Shareholders' Equity</b>	<b>91,392,526</b>	<b>95,257,565</b>	<b>(3,865,039)</b>

The account includes:

- The “legal reserve”, amounting to approx. Euro 6.3 million, which increased by approx. Euro 32 thousand following the allocation of the result for the previous year, as approved by the Shareholders' AGM of June 26, 2020;
- The “reserve for treasury shares in portfolio”, amounting to Euro 24.7 million, which equates to the carrying value of the BasicNet shares held in portfolio at year-end, and was set up through utilisation of the “Retained earnings” following the Shareholders' AGM resolution, which authorised the purchase of treasury shares;
- The “*re-measurement reserve for employee defined benefit plans (IAS 19)*” refers to the changes in the actuarial gains/losses (“*re-measurement*”). The valuation is shown net of the tax effect. This reserve is not available for distribution;
- The “retained earnings”, which increased compared to the end of the previous year by Euro 5.8 million following the allocation of the result for the previous year, as approved by the Shareholders' AGM of June 26, 2020, net of the decrease for the acquisition of treasury shares.
- the “IFRS 16 reserve” includes the effects of the Company's application of this accounting standard;
- the “*exchange gains reserve*” increased by approx. Euro 62 thousand following the allocation of part of the previous year's net profit, as approved by the Shareholders' AGM of June 26, 2020.

Pursuant to Article 110 of Legislative Decree No. 104/2020, which allowed for the partial realignment of the tax value of the brands in the portfolio to the higher value recorded in the financial statements, the Company tied up its reserves subject to tax suspension for an amount of Euro 5.2 million equal to the higher values realigned.

The share capital of BasicNet S.p.A. amounts to Euro 31,716,673.04 (divided in 60,993,602 ordinary shares) of Euro 0.52 each fully paid in.

In July 2020, as approved by the Shareholders' AGM of BasicNet S.p.A. of June 26, 2020, in relation to the allocation of the 2019 net profit, a dividend of Euro 0.12 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 6.4 million.

Based on the share buy-back programme, at the reporting date the Company held 8,500,000 shares, equal to 13.936% of the share capital, for a total investment of approx. Euro 24.7 million. The weighted average number of shares outstanding in the year was 52,493,602.

The other gains and losses recorded directly in equity in accordance with IAS 1 are reported below and recognised to the Comprehensive Income Statement.

<i>(Euro thousands)</i>	<b>December 31, 2020</b>	<b>December 31, 2019</b>	<b>Changes</b>
<i>Effective part of the Gains/losses on cash flow hedge instruments</i>	-	4	(4)
<i>Re-measurement of post-employment benefits (IAS 19) (*)</i>	(10)	(66)	56
<i>Tax effect relating to the Other items of the comprehensive income statement</i>	2	15	(13)
<b>Total other gains/(losses), net of tax effect</b>	<b>(8)</b>	<b>(47)</b>	<b>40</b>

(\*) items which may not be reclassified to the profit and loss account

The tax effect relating to "Other gain/losses" is as follows:

<i>(Euro thousands)</i>	<b>December 31, 2020</b>			<b>December 31, 2019</b>		
	<b>Gross value</b>	<b>Tax Charge/ Benefit</b>	<b>Net value</b>	<b>Gross value</b>	<b>Tax Charge/ Benefit</b>	<b>Net value</b>
Effective part of Gains/losses on cash flow hedge instruments	-	-	-	4	(1)	3
Re-measurement of post-employment benefits (IAS 19) (*)	(10)	2	(8)	(66)	16	(50)
<b>Total other gains/(losses), net of tax effect</b>	<b>(10)</b>	<b>2</b>	<b>(8)</b>	<b>(62)</b>	<b>15</b>	<b>(47)</b>

(\*) items which may not be reclassified to the profit and loss account

The statement on the availability of the reserves at December 31, 2020 is shown below:

**STATEMENT ON UTILISATION AND DISTRIBUTION OF RESERVES AS PER ART. 2427 OF THE C.C. NO.7-BIS**

		December 31, 2020	December 31, 2019	Changes
Share capital		31,716,673	31,716,673	-
Treasury shares		(24,678,900)	(22,225,090)	(2,453,809)
Share premium reserve		-	-	-
Legal reserve	B	6,343,334	6,310,916	32,418
IAS adjustment reserve		-	-	-
Reserve for treasury shares in portfolio		24,678,900	22,225,090	2,453,809
Ordinary reserve		-	-	-
Extraordinary Reserve		-	-	-
Other reserves:				
Cash Flow Hedge Reserve	D	-	-	-
Remeasuring reserve of employee defined benefit plans (IAS 39)	D	(115,687)	(108,392)	(7,295)
Retained earnings	A,B,C	48,732,700	42,938,384	5,794,315
IFRS 16 Reserve	B	(86,584)	(86,584)	-
Exchange gains reserve		62,494	-	62,494
Net profit		4,739,596	14,486,568	(9,746,972)
<b>Total</b>		<b>91,392,526</b>	<b>95,257,565</b>	<b>(3,865,039)</b>

*Key: A: for share capital increase, B: for coverage of losses - C: for distribution to shareholders - D: non utilisable*

### 30. LOANS

The changes in the medium/long-term loans during the year are shown below:

<i>(Euro thousands)</i>	31/12/2019	New Loans	Repayments	31/12/2020	Short-term portion	Medium/long-term portion
"Intesa Loan"	-	5,500	-	5,500	-	5,500
"BNL Loan"	3,750	-	625	3,125	1,250	1,875
"MPS Loan"	12,188	-	813	11,375	3,250	8,125
<b>Balance</b>	<b>15,938</b>	<b>5,500</b>	<b>1,438</b>	<b>20,000</b>	<b>4,500</b>	<b>15,500</b>

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2020	December 31, 2019	Changes
Loans:			
- "Intesa Loan"	5,500,000	-	5,500,000
- "BNL Loan"	1,875,000	2,500,000	(625,000)
- "MPS Loan"	8,125,000	8,937,500	(812,500)
<b>Total medium/long-term loans</b>	<b>15,500,000</b>	<b>11,437,500</b>	<b>4,062,500</b>
- Other lenders	105,499	101,058	4,441
<b>Total other financial payables</b>	<b>105,499</b>	<b>101,058</b>	<b>4,441</b>
<b>Total loans</b>	<b>15,605,499</b>	<b>11,538,558</b>	<b>4,066,941</b>

The "Intesa Loan" was disbursed in October 2020 for Euro 5.5 million, has a duration of six years, including a two-year grace period, and is repayable in quarterly instalments, starting from September 2022, at a contractual rate of 1.05% per quarter. The use is restricted to payments for the purchase of services and salary payments to BasicNet employees. The contractual conditions do not include



financial covenants and the loan is directly guaranteed by the SME Guarantee Fund (90% of the capital).

The “BNL Loan” was disbursed in November 2016 for Euro 7.5 million; it has six-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 95 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a second level mortgage on the “Basic Village” building in Turin and a first level mortgage on the adjacent building, acquired at the end of 2016.

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration of which 2 years grace period, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of TOS S.r.l., owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

“Payables to other lenders” relate to the accounting of the capital line of finance leases recorded in the accounts.

For completeness of information we provide details of the medium/long-term loans by maturity.

	December 31, 2020	December 31, 2019	Changes
Medium/long term loans:			
- due within 5 years	14,468,750	11,437,500	3,031,250
- due beyond 5 years	1,031,250	-	1,031,250
<b>Total medium/long term loans</b>	<b>15,500,000</b>	<b>11,437,500</b>	<b>4,062,500</b>
Leasing payables	105,499	101,058	4,441
<b>Total leasing payables (maturity within 5 years)</b>	<b>105,499</b>	<b>101,058</b>	<b>4,441</b>
<b>Total loans</b>	<b>15,605,499</b>	<b>11,538,558</b>	<b>4,066,941</b>

### 31. BANK PAYABLES

	December 31, 2020	December 31, 2019	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	4,500,000	4,500,000	-
- bank overdrafts and bills	14,000,000	8,000,000	6,000,000
- interest expense on loans	1,192	983	210
<b>Total bank payables</b>	<b>18,501,192</b>	<b>12,500,983</b>	<b>6,000,210</b>

The average interest rates for BasicNet S.p.A. were:

	December 31, 2020	December 31, 2019
cash advances	0.32%	0.10%
medium-term loan	1.01%	1.13%

“Bank payables” include the short-term portion of loans, outlined at Note 30 and the relative interest matured and to be settled the following January.

Reference should be made to the Directors’ Report for the changes in the net financial positions.

### 32. PAYABLES FOR RIGHT-OF-USE

	December 31, 2020	December 31, 2019	Changes
Payables for rights-of-use	10,195,406	9,244,914	950,492
<b>Total payables for right-of-use</b>	<b>10,195,406</b>	<b>9,244,914</b>	<b>950,492</b>

Payables for right-of-use are recognised from 2020 in accordance with IFRS 16. During the current year, the contract with BasciVillage was renewed for an incremental value of Euro 2.6 million and the respective payables of Euro 1.6 million were settled.

### 33. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 1.2 million and the termination indemnities of Directors of Euro 0.8 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2020			December 31, 2019		
	Defined benefit plans	Defined contrib. plans	Total	Defined benefit plans	Defined contrib. plans	Total
<b>Change in the balance sheet:</b>						
Net liabilities recognized at begin. of year	1,233,817	-	1,233,817	1,252,998	-	1,252,998
Interest	12,556	-	12,556	23,588	-	23,588
Pension cost, net of withholdings	-	526,704	526,704	-	560,530	560,530
Benefits paid	(53,060)	-	(53,060)	(151,231)	-	(151,231)
Payments to the INPS treasury fund	-	(373,379)	(373,379)	-	(396,603)	(396,603)
Payments to other supp. pension fund	-	(153,325)	(153,325)	-	(163,927)	(163,927)
- Actuarial gains/(losses)	9,598	-	9,598	65,991	-	65,991
Internal transfers to the Group	-	-	-	6,456	-	6,456
<b>Net liabilities recognised in the accounts</b>	<b>1,202,911</b>	<b>-</b>	<b>1,202,911</b>	<b>1,197,802</b>	<b>-</b>	<b>1,197,802</b>
<b>Change in the income statement:</b>						
Interest	12,556	-	12,556	23,588	-	23,588
Pension Cost	-	526,704	526,704	3,676	560,530	564,206
Actuarial gains/(losses)	-	-	-	-	-	-
<b>Total charges/(income) for post-employment benefits</b>	<b>12,556</b>	<b>526,704</b>	<b>539,260</b>	<b>27,264</b>	<b>560,530</b>	<b>587,794</b>

The account “employee benefits” includes the present value of the liabilities of the company in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance

with IAS 19 – *Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Company there are no other plans other than defined benefit plans. The actuarial valuation of the Post-Employment Benefit is prepared based on the “matured benefits” method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature. The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2020	December 31, 2019
discount rate	0.53%	1.04%
inflation rate:	0.80%	1.20%
annual increase in post-employment benefit	2.10%	2.40%
annual increase in salaries:	1.00%	1.00%

The change in the annual discount rate reflects the decrease in the yields of the “corporate bonds” of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

The sensitivity analysis carried out on the basis of the following variables: 1) inflation rate +0.25%/-0.25%, 2) discount rate +0.25%/-0.25%, 3) turnover rate +1%/-1% shows non-material impacts of less than Euro 60 thousand.

#### 34. DEFERRED TAX LIABILITIES

The breakdown is shown below:

	December 31, 2020	December 31, 2019	Changes
Net deferred tax income (charge)	-	687,282	(687,282)
<b>Total deferred tax liabilities</b>	<b>-</b>	<b>687,282</b>	<b>(687,282)</b>

For further details, reference should be made to Note 23.

#### 35. OTHER NON-CURRENT LIABILITIES

	December 31, 2020	December 31, 2019	Changes
Guarantee deposits	892,633	980,887	(88,254)
Medium/long term tax payables	15,357	34,963	(19,606)
<b>Total other non-current liabilities</b>	<b>907,990</b>	<b>1,015,850</b>	<b>(107,860)</b>

The “guarantee deposits” include the guarantees received from licensees (in place of bank or corporate guarantees), to cover the minimum royalties guaranteed contractually.

### 36. TRADE PAYABLES

	December 31, 2020	December 31, 2019	Changes
Trade payables - Italy	4,539,602	4,534,491	5,111
Trade payables - Foreign	1,410,365	2,021,777	(661,413)
<b>Total trade payables</b>	<b>5,949,967</b>	<b>6,556,268</b>	<b>(606,301)</b>

“Trade payables” are all due in the short-term period.

In particular, the breakdown of foreign suppliers is as follows:

	December 31, 2020	December 31, 2019	Changes
Europe	502,489	212,532	289,957
The Americas	267,645	428,337	(160,692)
Asia and Oceania	639,821	1,374,897	(735,076)
Middle East and Africa	410	6,011	(5,602)
<b>Total</b>	<b>1,410,365</b>	<b>2,021,777</b>	<b>(661,413)</b>

At the date of the present report there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A.. No interest is charged on trade payables which are normally settled between 30 and 120 days. The carrying value of trade payables approximates their fair value.

### 37. TAX PAYABLES

The breakdown of this account is shown in the following table:

	December 31, 2020	December 31, 2019	Changes
Tax payables:			
IRES	2,019,115	3,270,716	(1,251,601)
Withholding taxes	9,803	7,760	2,043
VAT	499,273	1,045,920	(546,647)
Employee contributions	269,956	288,666	(18,710)
IRAP	-	472,363	(472,363)
Tax payables	178,901	19,606	159,295
<b>Total tax payables</b>	<b>2,977,048</b>	<b>5,105,031</b>	<b>(2,127,983)</b>

The account “IRES” concerns the payable in the year.

The VAT payable is consequent of the transfers of balances by the companies within the Group VAT consolidation.

38. OTHER CURRENT LIABILITIES

	December 31, 2020	December 31, 2019	Changes
Payables to Group companies	1,295,819	1,959,065	(663,246)
Other payables	4,018,569	3,686,749	331,820
Accrued expenses	303,430	324,178	(20,748)
<b>Total other current liabilities</b>	<b>5,617,818</b>	<b>5,969,992</b>	<b>(352,174)</b>

“Other payables” at December 31, 2020 principally include payables to social security institutions of Euro 0.7 million for the year 2020 and paid in 2021, employee, consultant and director payables of approx. Euro 2.2 million, which include vacation days matured at December 31, 2020 and other items of Euro 1.2 million. All payables are due within one year.

The “accruals” refer to employee costs for the 14th month of the year.

The breakdown of “Payables to Group companies” are shown below:

	December 31, 2020	December 31, 2019	Changes
<i>Trade payables:</i>			
Basic Properties America Inc.	746,035	849,630	(103,595)
BasicNet Asia Ltd.	264,826	559,827	(295,001)
BasicItalia S.p.A.. with sole shareholder	186,777	412,524	(225,747)
Basic Village S.p.A.. with sole shareholder	96,479	137,084	(40,605)
BasicNet Asia Company (Vietnam) Ltd.	1,702	-	1,702
<b>Trade payables</b>	<b>1,295,819</b>	<b>1,959,065</b>	<b>(663,246)</b>
<b>Total</b>	<b>1,295,819</b>	<b>1,959,065</b>	<b>(663,246)</b>

39. DEFERRED INCOME

	December 31, 2020	December 31, 2019	Changes
Royalties	6,000	281,228	(275,228)
<b>Total deferred income</b>	<b>6,000</b>	<b>281,228</b>	<b>(275,228)</b>

“Deferred income” for royalties refer to invoicing for revenues which will mature in the following year.

40. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The details of the guarantees given are as follows:

	December 31, 2020	December 31, 2019	Changes
- Guarantees to: subsidiaries	97,150,000	62,550,000	34,600,000
<b>Total</b>	<b>97,150,000</b>	<b>62,550,000</b>	<b>34,600,000</b>

- Sureties given on behalf of subsidiaries

The sureties given on behalf of the subsidiaries refer for Euro 2.1 million to the guarantee given to the Unicredit Group on behalf of Basic Village S.p.A. against the loan granted in 2007 for the purchase of the building, guaranteed also by a first level mortgage on the building, for Euro 2.9 million to the guarantee given in 2008 by Intesa Sanpaolo S.p.A. on behalf of BasicItalia S.p.A. against 50% of the mortgage loan granted for the purchase of the building, Euro 6.5 million of a surety issued by a leading bank in guarantee of contractual commitments for a sponsorship contract and for the remainder, Euro 85.6 million, guarantees given on behalf of BasicItalia S.p.A. and of the Kappa Europe Group, to various credit institutions, to guarantee the commercial credit lines.

Finally, the shares of TOS S.r.l. are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017.

41. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the activities of the Company and of the Group and the activities undertaken to reduce them or avoid them, which are undertaken at Group level, are described in the Directors' Report.

The financial instruments of BasicNet S.p.A. include:

- cash and cash equivalents and bank overdrafts;
- medium/long-term loans;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Company and the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

(Euro thousands)	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 31.12.2020	Fair value As at 31.12.2020
	Income statement	Shareholders' Equity				
<b>Assets:</b>						
Equity invest. & other financial assets	-	-	-	35,805	35,805	35,805
Cash and cash equivalents	-	-	3,410	-	3,410	3,410
Trade receivables	-	-	7,234	-	7,234	7,234
Other current assets	-	-	74,316	-	74,316	74,316
Derivative financial instruments	-	-	-	-	-	-
<b>Liabilities:</b>						
Medium/long-term loans	-	-	15,605	-	15,605	15,605
Bank payables	-	-	18,501	-	18,501	18,501
Trade payables	-	-	5,950	-	5,950	5,950
Other current liabilities	-	-	5,618	-	5,618	5,618
Derivative financial instruments	-	-	-	-	-	-

The financial risk factors, identified in *IFRS 7 – Financial instruments: additional disclosures*, are described below:

- the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (“*market risk*”). The market risk includes the following risks: currency, interest rates and price:
  - a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices (“*currency risk*”);
  - b. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market interest rates (“*interest rate risk*”);
  - c. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (other than changes determined from interest rate or currency risk), whether the changes are determined by specific factors related to the financial instrument or its issuer, or whether it is due to factors which influence all similar financial instruments traded on the market (“*price risk*”);
- the risk that one of the parties that signs a contract of a financial nature does not comply with an obligation (“*credit risk*”);
- the risk that an entity has difficulty in complying with the obligations associated with the financial liabilities (“*liquidity risk*”);
- the risk that the loans within the companies of the Group contain clauses which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk (“*default risk*”).

### **Price risk**

The Company is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the sample collections acquired on international markets, for resale to the licensees.

The Company does not hedge these risks as not directly dealing with raw materials but only finished products and the fluctuations can be transferred on to the final sales price.

**Currency risk**

BasicNet S.p.A. has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the Company is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

In 2020, exchange losses were recorded of Euro 198 thousand, while unrealised exchange losses were recorded of Euro 469 thousand, for net exchange losses of Euro 667 thousand (Note 16).

The Company undertakes hedging of the currency risks at Group level.

**Interest rate risk**

The composition of the gross financial debt between fixed and variable interest rates at December 31, 2020 is shown below:

	December 31, 2020	%	December 31, 2020	%
Fixed rate	5,501,192	16.1%	8,000,983	33.3%
Variable rate	28,605,499	83.9%	16,038,558	66.7%
<b>Gross debt</b>	<b>34,106,691</b>	<b>100.0%</b>	<b>24,039,541</b>	<b>100.0%</b>

The interest on the short-term credit lines are on an average 0.32% in accordance with the type of lending, as illustrated in Note 31.

Where at December 31, 2020 the interest rate on long-term loans at that date were 100 basis points higher (or lower) compared to the actual rates, there would be a higher financial charges (lower), before the tax effect, respectively of Euro +171 thousand and Euro -171 thousand.

**Credit risk**

The doubtful debt provision (Note 25) which includes provisions against specific credit positions and a general provision on receivables not covered by guarantees, represents approx. 4.2% of trade receivables at December 31, 2020.

**Liquidity risk**

Reference should to the Explanatory Notes of the consolidated financial statements.

The table below illustrates the cash flow timing of payments on medium/long-term debt:

<i>(Euro thousands)</i>	Book value	Future interest income/ (expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond five years
“Intesa Loan”	5,500	227	5,727	59	4,632	1,037
“BNL Loan”	3,125	18	3,143	1,261	1,882	-
“MPS Loan”	11,375	251	11,626	3,370	8,256	-
Lease payables	105	5	111	45	66	-
Payables for rights-of-use	10,195	567	10,762	1,887	8,875	-
<b>Total financial liabilities</b>	<b>30,300</b>	<b>1,068</b>	<b>31,369</b>	<b>6,622</b>	<b>23,711</b>	<b>1,037</b>



**Default and debt covenant risk**

The risk that the loans within the company contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

There are no covenants on the loans in place.

**42. TRANSACTIONS WITH HOLDING COMPANIES, ASSOCIATES, OTHER INVESTMENTS AND RELATED PARTIES**

The transactions undertaken by BasicNet S.p.A. with the companies belonging to the Group in the ordinary management and regulated at market conditions were:

- Organisational, commercial, IT, and administrative services in accordance with specific contracts;
- The granting of rights for the use of know-how developed on the products;
- the license for the K-Way brand to the subsidiary BasicItalia S.p.A.;
- Financial support for the management of the centralised treasury, relations with credit institutions, granting of sureties;
- Commercial assistance, principally relating to the sale of clothing samples, catalogues and payment of commissions;
- Building rental for commercial use by Basic Village S.p.A.;
- Purchase of products by BasicItalia S.p.A. for gifts and promotional expenses;
- Financial income and charges matured on loans within the treasury centralised management system, at market rates.

The income statement effects deriving from these transactions are summarised as follows:

**REVENUES**

<b>BasicNet Group companies</b>	<b>Direct sales</b>	<b>Other income</b>	<b>Royalty income</b>	<b>Financial income</b>	<b>Dividends</b>	<b>Total</b>
BasicItalia S.p.A. with sole shareholder	2,270,051	311,200	6,840,301	-	-	<b>9,421,552</b>
Basic Trademark S.r.l.	-	6,000,000	-	45,384	-	<b>6,045,384</b>
Kappa Europe Group	228,004	-	1,100,662	-	-	<b>1,328,666</b>
TOS S.r.l. with sole shareholder	-	50,000	-	122,475	600,000	<b>772,475</b>
BasicNet Asia Ltd. (Hong Kong)	16,242	-	-	-	383,860	<b>400,102</b>
Preppy Cotton AG	9,096	-	43,534	-	-	<b>52,630</b>
Basic Village S.p.A. with sole shareholder	-	60,000	-	5,175	-	<b>65,175</b>
BasicNet Asia Company Limited (Vietnam) Ltd	2,584	-	-	-	-	<b>2,584</b>
Jesus Jeans S.r.l. with sole shareholder	-	5,000	-	-	113,991	<b>118,991</b>
BasicAir S.r.l. with sole shareholder	-	20,000	-	-	-	<b>20,000</b>
BasiRetail SUISE	-	10,000	-	-	-	<b>10,000</b>
BasicRetail S.r.l. with sole shareholder.	-	150,000	-	-	-	<b>150,000</b>
<b>Total</b>	<b>2,525,977</b>	<b>6,606,200</b>	<b>7,984,497</b>	<b>173,034</b>	<b>1,097,851</b>	<b>18,387,559</b>

**COSTS**

BasicNet Group companies	Cost of sales	Cost per sponsor	Personnel costs	Selling, general and administrative costs, royalties expenses	Financial charges	Total
Basic Village S.p.A. with sole shareholder	-	-	-	(645,589)	-	<b>(645,589)</b>
BasicNet Asia Ltd. (Hong Kong)	-	-	-	(778,206)	-	<b>(778,206)</b>
BasicNet Asia Company Limited (Vietnam) Ltd	-	-	-	(141,998)	-	<b>(141,998)</b>
Basic Properties America Inc.	-	-	-	(298)	-	<b>(298)</b>
Kappa Europe Group	-	-	-	(24,000)	-	<b>(24,000)</b>
BasicItalia S.p.A. with sole shareholder	(12)	(707,014)	-	4,949	-	<b>(702,077)</b>
BasicRetail S.r.l. with sole shareholder	-	(49,341)	-	-	-	<b>(49,341)</b>
<b>Total</b>	<b>(12)</b>	<b>(756,355)</b>	<b>-</b>	<b>(1,585,142)</b>	<b>-</b>	<b>(2,341,509)</b>

A breakdown of the transactions with related parties with reference to the note to which they refer for the year 2020 is shown below:

	Investments (Note 22)	Receivables (Note 26)	Payables (Note 38)	Revenues (Note 42)	Costs (Note 42)
Subsidiaries	35,772,624	72,088,335	1,295,819	18,387,559	2,341,509
Interests in joint ventures:	-	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	4,961,028
<b>Total</b>	<b>35,772,624</b>	<b>72,088,335</b>	<b>1,295,819</b>	<b>18,387,559</b>	<b>7,302,537</b>

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l. The agreement shall run until July 31, 2023. The exercise price of the Call Option by BasicWorld shall be equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date. The agreement was signed based on the eventual interest of BasicNet S.p.A. to sell the collection to guarantee the complete recovery of the costs incurred, including financial charges, utilising in the meantime the benefits which derive from such communication instruments for their brands and/or products.

43. CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

44. CONTINGENT LIABILITIES/ASSETS

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

Other disputes are described in the Explanatory Notes in the consolidated financial statements (Note 53).

## PROPOSAL TO THE SHAREHOLDERS' AGM TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR

Dear Shareholders,

we submit, for your deliberation, the following:

### MOTION

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2020 results, the Directors' Report and having noted the Board of Statutory Auditors' Report and that of the Independent Audit Firm EY S.p.A.,

### RESOLVES

to approve the Directors' Report and the Financial Statements at December 31, 2020, in relation to each individual part and in its entirety.

## PROPOSAL TO THE SHAREHOLDERS' AGM FOR THE ALLOCATION OF THE NET PROFIT FOR THE YEAR

Dear Shareholders,

We propose the allocation of the net profit of Euro 4,739,596.08 as follows:

▪ reserve for unrealised exchange gains	Euro	112,241.04
▪ to each of the 52,404,851 ordinary shares in circulation (excluding the 8,588,751 treasury shares held at March 2, 2021), a dividend of Euro 0.06 before withholding taxes for an amount of	Euro	3,144,291.06
▪ to retained earnings the residual amount, equal to	Euro	1,483,063.98

The dividend will be paid from April 21, 2021, with record date of April 20, 2021 and coupon date (No. 14) of April 19, 2021.

We also propose that, if at the dividend coupon date the number of shares with dividend rights is lower than indicated above due to any share buy-backs by the company, the relative dividend will be allocated to retained earnings, as will any rounding made on payment.

We propose therefore the following:

### MOTION

The BasicNet S.p.A. Ordinary Shareholders' AGM

### RESOLVES

to approve the proposed allocation of the profit for the year of Euro 4,739,596.08 and the proposed dividend payment.

For the Board of Directors

**The Chairman**

Marco Daniele Boglione

## ANNEX 1

**DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S  
REGULATION**

<b>Type of service</b>	<b>Service provider</b>	<b>Company</b>	<b>Fees earned 2020</b>
Audit	EY S.p.A.	Parent BasicNet S.p.A.	62,500
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
Other services	EY S.p.A.	Parent BasicNet S.p.A.	-
<b>Total</b>			<b>62,500</b>

**ANNEX 2**  
**Page 1 of 4**
**INVESTMENTS AT DECEMBER 31, 2020**

(in Euro)

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
<u>SUBSIDIARY COMPANIES</u>							
<b>BASIC AIR S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo Maurizio Vitale, 1</i>							
<i>10152 TURIN</i>							
Share capital Euro 3,000,000	3,000,000	2,161,560	(79,921)	100.00	-	2,161,560	3,000,000
<b>BASIC ITALIA S.p.A.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Strada della Cebrosa, 106</i>							
<i>10156 TURIN</i>							
Share Capital Euro 7,650,000	7,650,000	11,551,361	829,849	100.00	-	11,551,361	26,422,460
<b>BASICNET ASIA LTD.</b>							
<i>15 floor, Linkchart Centre</i>							
<i>No.2 Tai Yip Street</i>							
<i>Kwun Tong, Kowloon</i>							
<i>HONG KONG</i>							
Share capital HKD 10,000.	1,051	280,465	115,859	100.00	-	280,465	927
<b>BASICNET ASIA COMPANY LIMITED (VIETNAM) Ltd..</b>							
<i>Room 1002-1003, 10th Floor,</i>							
<i>Diamond Plaza Building 34</i>							
<i>Le Duan Street, Ben Nghe Ward,</i>							
<i>District 1 -</i>							
<i>Ho Chi Minh City</i>							
<i>VIETNAM</i>							
Share capital DONG 462,600,000	16,330	20,058	3,887	100.00	-	20,058	18,135
<b>BASIC PROPERTIES AMERICA, INC.</b>							
<i>c/o Corporation Service Company</i>							
<i>11 S 12th Street - PO BOX 1463 –</i>							
<i>Richmond VA 23218 – U.S.A.</i>							
Share capital USD 2,000	1,630	6,358,386	426,160	-	100.00	-	-
<b>BASICRETAIL S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Strada della Cebrosa, 106</i>							
<i>10156 TURIN</i>							
Share capital Euro 10,000	10,000	6,602,371	994,369	-	100.00	-	-
<b>BASICRETAIL SUISSE S.A.</b>							
<i>Via Franco Zorzi, 18</i>							
<i>6850 MENDRISIO -</i>							
<i>SWITZERLAND</i>							
Share capital CHF 100,000.	92,580	11,775	(75,294)	-	100.00	-	-
<b>BASIC TRADEMARK S.r.l.</b>							
<i>Largo Maurizio Vitale, 1</i>							
<i>10152 TURIN</i>							
Share Capital Euro 1,250,000.	1,250,000	24,986,388	4,457,334	100.00	-	24,986,388	3,657,747
<b>BASIC VILLAGE S.p.A.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo M. Vitale, 1</i>							
<i>10152 TURIN</i>							
Share capital Euro 412,800	412,800	10,052,563	20,504	100.00	-	10,052,563	2,591,980

**ANNEX 2**  
**Page 2 of 4**

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
<i>SUBSIDIARY COMPANIES</i>							
<b>JESUS JEANS S.r.l</b> <b>WITH SOLE SHAREHOLDER</b> <i>Largo M. Vitale, 1</i> <i>10152 TURIN</i>							
Share capital Euro 10,000	10,000	22,339	8,836	100.00	-	22,339	81,375
<b>KAPPA EUROPE S.A.S.</b> <i>41 Rue Bobby Sands</i> <i>44800 St Herblain Cedex -</i> <i>FRANCE</i>							
Share capital Euro 2,426,400	2,426,400	(6,885,384)	1,666,509	-	100.00	-	-
<b>KAPPA FRANCE S.A.S.</b> <i>41 Rue Bobby Sands</i> <i>44800 St Herblain Cedex -</i> <i>FRANCE</i>							
Share Capital Euro 2,060,000	2,060,000	(2,108,301)	2,258,843	-	100.00	-	-
<b>KAPPA RETAIL MONACO S.A.R.L.</b> <i>1, Promenade Honorè II</i> <i>98000 Monaco</i>							
Share capital Euro 15,000	15,000	277,257	262,257	-	100.00	-	-
<b>KAPPA SPORT IBERIA S.L.</b> <i>Avda. de Europa, 26 - módulo 2B</i> <i>28224 Pozuelo De Alarcón-Madrid</i> <i>SPAIN</i>							
Share Capital Euro 505.588	505,588	(26,522)	(245,326)	-	100.00	-	-
<b>PREPPY COTTON S.A.</b> <i>Renzligenstrasse 31</i> <i>6260 MENDRISIO -</i> <i>SWITZERLAND</i>							
Share Capital Euro 101,105	101,105	(1,369,264)	185,484	-	100.00	-	-
<b>SPORT FASHION DISTRIBUTION UK Ltd.</b> <i>Richmond House, 15 Bloom Street</i> <i>M1 3HZ Manchester - UK</i>							
Share capital GBP 1	1.175	(218,448)	(57,643)	-	100.00	-	-
<b>SPORT FASHION RETAIL S.A.R.L.</b> <i>41 Rue Bobby Sands</i> <i>44800 St Herblain Cedex -</i> <i>FRANCE</i>							
Share capital Euro 5,000	5,000	666,428	352,958	-	100.00	-	-

**ANNEX 2**  
**Page 3 of 4**

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
<i><u>SUBSIDIARY COMPANIES</u></i>							
<b>TEXTILES D'ARTOIS</b>							
<i>4 Rue D'Acq</i>							
<i>62144 Haute Avesnes- FRANCE</i>							
Share capital Euro 3,000	3,000	118,521	(15,873)	-	100.00	-	-
<b>TOS S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo M. Vitale, 1</i>							
<i>10152 Turin</i>							
Share capital Euro 10,000	10,000	1,471,256	872,586	-	100.00	-	-
<i><u>JOINT VENTURES</u></i>							
<b>FASHION S.r.l.</b>							
<i>C.so Stati Uniti, 41</i>							
<i>10129 TURIN</i>							
Share capital Euro 100,000	100,000	163,101	(51,507)	-	50.00		



ANNEX 2  
Page 4 of 4

## INVESTMENTS AT DECEMBER 31, 2020

Name/Registered office/Share capital	31/12/2019 Book value	Acquisitions/ Incor.	Capital payments to cover losses	Impairments investments	Disposals	31/12/2020 Book value	% held Parent
<u>HOLDINGS IN HOLDINGS IN SUBSIDIARY COMPANIES</u>							
BasicRetail S.r.l. with sole shareholder	3,000,000	-	-	-	-	3,000,000	100%
BasicItalia S.p.A. with sole shareholder	28,599,725	-	-	-	(2,177,265)	26,422,460	100%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
BasicNet Asia Company Limited (Vietnam) Ltd.	-	18,135	-	-	-	18,135	100%
Superga Trademark S.r.l. with sole shareholder	-	3,657,747	-	-	-	3,657,747	100%
Basic Properties S.r.l. with sole shareholder	3,657,747	-	-	-	(3,657,747)	-	100%
Basic Village S.p.A. with sole shareholder	414,715	2,177,265	-	-	-	2,591,980	100%
Jesus Jeans S.r.l. with sole shareholder	81,375	-	-	-	-	81,375	100%
TOS S.r.l. with sole shareholder	10,000	-	-	-	(10,000)	-	100%
<b>TOTAL SUBSIDIARY COMPANIES</b>	<b>35,764,489</b>	<b>5,853,147</b>	<b>-</b>	<b>-</b>	<b>(5,845,012)</b>	<b>35,772,624</b>	
<u>HOLDINGS IN JOINT VENTURES</u>							
Fashion S.r.l.	500,000	-	-	-	(500,000)	-	50%
<b>TOTAL JOINT VENTURES</b>	<b>500,000</b>				<b>(500,000)</b>	<b>-</b>	
<u>HOLDINGS IN OTHER COMPANIES:</u>							
Consortiums & other minor	127	-	-	-	-	127	
<b>TOTAL OTHER COMPANIES</b>	<b>127</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>127</b>	
<b>TOTAL INVESTMENTS</b>	<b>36,264,616</b>	<b>5,853,147</b>	<b>-</b>	<b>-</b>	<b>(6,345,012)</b>	<b>35,772,751</b>	
<u>FINANCIAL RECEIVABLES</u>							
Other receivables (guarantees)	31,983	-	-	-	-	31,983	-
<b>TOTAL RECEIVABLES</b>	<b>31,983</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>31,983</b>	
<b>TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS</b>	<b>36,296,599</b>	<b>5,853,147</b>	<b>-</b>	<b>-</b>	<b>(6,345,012)</b>	<b>35,804,734</b>	

## ANNEX 3

**DECLARATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS  
PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998  
“FINANCIAL INTERMEDIATION ACT”**

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998: the adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2020 financial statements.

In addition, we certify that the financial statements:

- a) corresponds to the underlying accounting documents and records;
- b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union and also in accordance with Article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer;
- c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione  
**Chairman**

Federico Trono  
**Chief Executive Officer**

Paola Bruschi  
**Executive Officer for Financial Reporting**

# BasicNet S.p.A.

**Bilancio d'esercizio al 31 dicembre 2020**

**Relazione della società di revisione indipendente  
ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e  
dell'art. 10 del Regolamento (UE) n. 537/2014**

## **Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 10 del Regolamento (UE) n. 537/2014**

Agli Azionisti della  
BasicNet S.p.A.

### **Relazione sulla revisione contabile del bilancio d'esercizio**

#### **Giudizio**

Abbiamo svolto la revisione contabile del bilancio d'esercizio della BasicNet S.p.A. (la Società), costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2020, dal conto economico, dal conto economico complessivo, dal rendiconto finanziario, dal prospetto delle variazioni del patrimonio netto, per l'esercizio chiuso a tale data e dalle note illustrative al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2020, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38.

#### **Elementi alla base del giudizio**

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

#### **Aspetti chiave della revisione contabile**

Non ci sono aspetti chiave della revisione da comunicare nella presente relazione.

#### **Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio**

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

### **Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio**

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le relative misure di salvaguardia.

### **Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014**

L'assemblea degli azionisti della BasicNet S.p.A. ci ha conferito in data 27 aprile 2017 l'incarico di revisione legale del bilancio d'esercizio della Società per gli esercizi con chiusura dal 31 dicembre 2017 al 31 dicembre 2025.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

## **Relazione su altre disposizioni di legge e regolamentari**

### **Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58**

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della BasicNet S.p.A. al 31 dicembre 2020, incluse la loro coerenza con il relativo bilancio d'esercizio e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio d'esercizio della BasicNet S.p.A. al 31 dicembre 2020 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della BasicNet S.p.A. al 31 dicembre 2020 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

**Dichiarazione ai sensi dell'art. 4 del Regolamento Consob di attuazione del D. Lgs. 30 dicembre 2016, n. 254**

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della dichiarazione non finanziaria ai sensi del D. Lgs. 30 dicembre 2016, n. 254. Abbiamo verificato l'avvenuta approvazione da parte degli amministratori della dichiarazione non finanziaria.

Ai sensi dell'art. 3, comma 10, del D. Lgs. 30 dicembre 2016, n. 254, tale dichiarazione è oggetto di separata attestazione di conformità da parte nostra.

Torino, 17 marzo 2021

EY S.p.A.



Stefania Boschetti  
(Revisore Legale)