



CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

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

Website: www.basicnet.com

Year: 2020

Date of approval of Report: March 2, 2021

Glossary

Self-Governance Code	the Self-Governance Code of listed companies approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, ANIA, Assogestioni, Assonime and Confindustria, which BasicNet declared compliant.
Civ. Cod /c.c.:	the Civil Code.
Board:	the Board of Directors of BasicNet S.p.A.
Issuer:	BasicNet S.p.A.
Year:	the financial year to which the Report refers (2020).
Issuers' Regulation:	the Regulation issued by Consob Resolution No. 11971 of May 14, 1999 (as subsequently amended).
Consob Market Regulation	the Market Regulations issued by Consob Resolution No. 20249 of 2017.
Consob Related Parties Regulation	the Issuer Regulations following Consob Resolution No. 17721 of March 12, 2010 (as subsequently amended) in relation to related parties.
Report:	the corporate governance and ownership structure report which the company is required to prepare as per Article 123- <i>bis</i> of the CFA.
Consolidated Finance Act/CFA:	Legislative Decree No. 58 of February 24, 1998 (Consolidated Finance Act).

CORPORATE GOVERNANCE REPORT

1. COMPANY PROFILE

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

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

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

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

The Board of Directors was appointed by the Shareholders’ AGM of April 19, 2019. The Board of Directors, at the meeting held subsequent to the Shareholders’ AGM, set up internally the Control and Risks Committee and the Remuneration Committee.

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

BasicNet is defined as an SME in accordance with Article 1, paragraph 1, letter w-quater 1), of the CFA and Article 2 of Consob Issuers’ Regulation. As of December 31, 2020 Basicnet, Group capitalisation amounts to 233.8 million which confirms the Company as an SME.

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/datifinanziari/assembleeazionisti.asp;
- the disclosures required by Article 123-*bis*, paragraph 1, letter l) of the CFA (“applicable regulations concerning the appointment and replacement of Directors, in addition to the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.1) 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 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.

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 Corgi	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.

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.

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.¹

Chairman of the Board of Directors

¹ 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 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 Corgi, Cristiano Fiorio, Renate Hendlmeier and Adriano Marconetto.

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 Corgi² both in relation to the requirements of Consob regulations and the criteria of the Self-

² 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 Corneliani 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 Corgi 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 Corgi submitted her statement for the necessary assessments by the Board with regard to the continuing existence of the independence requirements. On March

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.

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

2, 2021, the Board of Directors, considering that BasicNet S.p.A. no longer has any interest in Corneliani S.p.A., confirmed that Elisa Corghi meets the independence requirements.

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.

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 Corgi, Renate Hendlmeier and Adriano Marconetto.

The Chairman of the Committee, Carlo Pavesio, and the Director Elisa Corgi 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.

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.

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 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.basinet.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.

Participants in training on anti-corruption policies		2020	2019
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%
Total (No.)		122	219
	% total Group*	20%	35%

**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.

13 APPOINTMENT OF STATUTORY AUDITORS

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

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

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

The slate is composed of two sections: one for the candidates for the office of 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-*quinquiesdecies* of the Consob Issuers' Regulations.

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

Diversity criteria and policies

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

The Board of Statutory Auditors met immediately after the Shareholders' Meeting appointment of April 19, 2019 and, according to the Consob Issuers' Regulation and the Self-Governance Code, verified for all of its members compliance with the independence requirements established by Law (Article 148, paragraph 3 of the CFA) and by the Self-Governance Code (Articles 3.C.1 and 8.C.1) for the Statutory Auditors of companies with listed shares, 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.basicnet.com/contenuti/gruppo/organisocialisocieta.asp.

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

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

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

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

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

15. RELATIONS WITH SHAREHOLDERS

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

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

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 by shareholders after the presentation of each matter on the Agenda.

All Directors generally attend the Shareholders' Meetings. The Board of Directors is available to shareholders to provide 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 Corneliani 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. Corgi had ceased to exist. Therefore, it resolved to confirm the existence of the independence requirement for the Director Elisa Corgi. 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 part 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.

For the Board of Directors

The Chairman

Marco Daniele Boglione

20. SUMMARY TABLES

Table 1: Board of Directors at December 31, 2020

Name	Office	Slate	Exec.	Non exec	Ind.	Ind. CFA	Attendance BoD
Marco Boglione	Chairman of the Board of Directors (with operating powers)	M	X				11/11
Daniela Ovazza	Vice Chairman of the Board of Directors (without powers)	M		X			11/11
Federico Trono	Chief Executive Officer	M	X				11/11
Alessandro Boglione	Director	M	X				11/11
Lorenzo Boglione	Director	M	X				11/11
Veerle Bouckaert	Director	M	X				11/11
Paola Bruschi	Director	M	X				11/11
Elisa Corgi	Independent director	m		X	X	X	10/11
Cristiano Fiorio	Independent director	M			X		10/11
Francesco Genovese	Director	M	X				11/11
Renate Hendlmeier	Independent director	M		X	X	X	11/11
Alessandro Jorio	Director	M	X				11/11
Adriano Marconetto	Independent director	M		X	X	X	11/11
Carlo Pavesio	Director	M		X			11/11

KEY:

Office: office within the Board of Directors.**Slate:** “M” for Directors elected from the majority slate and “m” for Directors elected from the minority slate (as per article 144-decies of the Consob Issuer’s Regulations); “C” means co-opted**Exec.:** Director qualifying as executive**Non-exec.:** Director qualifying as non-executive**Indep.:** Director qualifying as independent as per Self-Governance Code**Ind. CFA:** Director meeting the independence requirements established by article 148, paragraph 3, of CFA (article 144-decies, of the Consob Issuers’ Regulation).**Attendance BOD:** presence at meetings of the Board of Directors; the ratio is the number of meetings attended against the total number of meetings held.

The Board of Directors was appointed from April 19, 2019 and will remain in office until the approval of the 2021 Annual Accounts.

Table 2: Composition of the Committees at December 31, 2020

Name	Office	Remuneration Committee	% holding Remuneration Committee	Control and Risks Committee	% holding Control and Risks Committee
Daniela Ovazza	Vice Chairman of the Board of Directors (without powers)	M	4/6		n.a
Elisa Corgi	Independent director	M	6/6	M	10/10
Cristiano Fiorio	Independent director	M	n.a:	M	10/10
Renate Hendlmeier	Independent director	M	6/6	P	10/10
Adriano Marconetto	Independent director	M	6/6	M	10/10
Carlo Pavesio	Non-Executive Director	P	6/6		n.a

KEY

Office: Office within the Board of Directors.

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

Exec.: Director qualifying as executive

Non-exec.: Director qualifying as non-executive

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

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

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

Table 3: Board of Statutory Auditors at December 31, 2020

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

KEY

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

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

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

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