



## **CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT**

in accordance with article 123-*bis* of the Consolidated Finance Act, Article-89 *bis* of the Consob Issuers' Regulation and article IA.2.6 of the Stock Exchange Instruction Regulation

### **TRADITIONAL ADMINISTRATION AND CONTROL MODEL**

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

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## Glossary

**Code/CG Code:** the Corporate Governance Code for listed companies approved in January 2020 by the Corporate Governance Committee.

**Civ. cod/c.c.:** the Italian Civil Code.

**Board:** the Issuer's Board of Directors.

**Issuer:** the issuer to which the Report refers.

**Year:** the financial year 2021 to which the Report refers.

**Consob Issuers' Regulation:** the Regulation issued by Consob Resolution No. 11971 of 1999 (as subsequently amended).

**Consob Market Regulation:** the Market Regulation issued by Consob Resolution No. 20249 of 2017.

**Consob Related Parties Regulation:** the Regulation issued by Consob with Resolution No. 17221 of March 12, 2010 (as subsequently amended) regarding related party transactions.

**Report:** the Corporate Governance and Ownership Structure Report which the Company must prepare and publish pursuant to Article 123-*bis* of the CFA.

**Remuneration Report:** the Remuneration Policy and Report that companies are required to prepare and publish in accordance with Article 123-*ter* of the CFA and Article 84-*quater* of the Consob Issuers' Regulation.

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

### **Executive Directors:**

- the Chairperson of the Company or of a subsidiary of strategic importance, when he/she is delegated powers in the management or drafting of company strategies;
- the Directors who have been delegated management powers and/or hold managerial positions in the Company or in a subsidiary with strategic importance, or in the parent company when the position also concerns the Company;
- Directors who serve on the Company's Executive Committee.

**Independent Directors:** Non-Executive Directors who do not maintain, nor have recently maintained, directly or indirectly, any business relationships with the Company or persons linked to it, of such as to affect their current independence of judgement (see the criteria set out in Article 2 of the Corporate Governance Code and Article 148 of the CFA).

**Significant shareholders:** any party who, directly or indirectly (through subsidiaries, trustees or nominees), controls the Company or is capable of exercising significant influence, or who participates directly or indirectly in a shareholder agreement through which one or more parties exercise control or significant influence on the Company;

**Chief Executive Officer (CEO):** the person chiefly responsible for management of the business.

**Committee:** the Corporate Governance Committee promoted by ABI, ANIA, Assogestioni, Assonime and Confindustria.

**Board of Directors:** the collegial body responsible for deciding on strategic policies, monitoring their implementation, and carrying out operations of strategic importance.

**Control Body:** the collegial body entrusted with the functions of "audit committee" pursuant to Directive 2006/43/EC or similar functions for companies that do not have their registered office in a European Union country, to which this Directive does not apply. The Board of Statutory Auditors is BasicNet's control board.

**Business Plan:** the programmatic document that sets out the Company's strategic objectives and the actions to be taken in order to achieve these objectives in line with the chosen level of risk exposure, with a view to promoting the sustainable success of the Company (as defined herein).

**Concentrated ownership companies:** companies in which one or more shareholders participating in a shareholder agreement hold, directly or indirectly (through subsidiaries, trustees or nominees), the majority of the votes that can be exercised at the Ordinary Shareholders' Meeting. Companies that lose their status as "concentrated ownership companies" may no longer avail themselves of the proportionality measures provided for that category from the second fiscal year following the recognition of said status.

**Large Company:** companies with capitalisation exceeding Euro 1 billion on the last open market day of each of the three preceding calendar years. Companies assuming "large company" status as of December 31, 2020, shall apply the principles and recommendations addressed to this category of companies from the second fiscal year following the recognition of the size category.

**Sustainable success:** an objective that guides the actions of the Board of Directors and that is embodied in the creation of long-term value for Shareholders, taking into account the interests of other relevant stakeholders in the Company.

**Top management:** senior Executives who are not members of the Board of Directors and who have the power and responsibility for planning, directing and controlling the activities of the Company and its Group.

## 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 independent 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.

In its operations, BasicNet has always sought to create value for its shareholders and, more generally, all those who have a stake in the Group's business. The main stakeholders include groups directly linked to business activities, such as Group Resources, the Network of licensees, Investors, Shareholders and the Financial Community, the Public Sector, Governmental and Control Bodies and the Local Communities in which the Group operates.

The sustainable success is achieved through BasicNet’s Business System, which offers business opportunities to a worldwide network of independent companies that do business with the Group, namely its manufacturing licensees (sourcing centers) and its commercial licensees (licensees). Accordingly, BasicNet is aware that the Group’s economic growth is closely linked to the economic development of its licensees, and that this link represents an initial important factor of sustainability that is inherent to the nature of the Group's business.

For a number of years, the Group has been working to innovate the design and quality of their collections and to find sustainable products and materials. This began with the Kappa® and Robe di Kappa® Brands and continues with K-Way®, the collections of which include environmentally sustainable processes and materials, as well as with Superga® (2750 is the world’s first sneaker to be made from 100% natural raw materials) and Sebago®, whose winning features are strength and durability, and Briko®.

As noted, since January 2020, the domestic and international picture has been dominated by the gradual spread of COVID-19 and the resulting restrictive containment measures implemented by the governments of the countries affected. BasicNet responded promptly to the global health and economic crisis caused by COVID-19, respecting the regulations in place in the countries in which it operates. In this area, in April 2021, in collaboration with Humanitas Gradenigo Hospital, a vaccination HUB was set up at Turin’s BasicVillage, which enabled the Group’s employees, collaborators, and their families to get their first and second doses of the vaccine. At its peak, this site provided about 800 doses per day.

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 company has prepared a non-financial report in accordance with Legislative Decree No. 254/2016, which is published together with the Directors’ Report and Annual Financial Report and may be found at [www.basicnet.com](http://www.basicnet.com).

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 and is included in the list published by Consob here: <http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi>. Average market capitalisation in 2021 was Euro 278.6 million, thereby continuing to meet the definition of SME.

BasicNet does not meet the Code’s definition of “large enterprise” or “company of concentrated ownership” as introduced in the new Corporate Governance Code.

2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 3, 2022 (pursuant to Article 123-*bis*, paragraph 1 of the CFA)

a) **Share capital structure (pursuant to 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 listed on the MTA with a value of Euro 0.52 each.

At the date of this Report, the Company holds 9,830,000 treasury shares, equal to 16.11% 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 (pursuant to 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 (pursuant to 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, is as follows:

Shareholder	% of ordinary & voting share capital	Note
Marco Boglione	33.639%	Owned indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l. (33.128%) and the remaining 0.511% directly.
BasicNet S.p.A.	16.116%	Treasury shares in portfolio.
Helikon Investments Limited	10.680%	Discretionary savings management.
Francesco Boglione	6.275%	Held indirectly through Francesco Boglione S.r.l. for 1.719%, with the residual 4.556% held directly.

d) **Shares which confer special rights (pursuant to Article 123-*bis*, paragraph 1, letter d), CFA)**

There are no shares which confer special control rights.

The Extraordinary Shareholders’ Meeting of July 29, 2021 approved the amendments to the By-Laws to introduce the increased voting rights mechanism, as per Article 127-*quinquies* of Legislative Decree No. 58/98. This mechanism permits the assignment of two votes for each ordinary BasicNet share held by the same Shareholder of the Company for a continuous period of at least 24 months from their enrolment in a special Register set up and maintained by the Company.

On the same date, the Board of Directors, based on the mandate conferred by the Extraordinary Shareholders’ Meeting, adopted the regulation for the governance of the registration, maintenance and updating of the Special Register in compliance with the applicable regulation, the Company By-Laws and market best practice. At present, and in consideration of the date on which the mechanism was introduced, there are no shares that enjoy increased voting rights.

The special register of shareholders for the certification of increased voting rights (Article 127-*quinquies*, paragraph 2, of the CFA) with stakes in excess of 5% in The capital of BasicNet S.p.A. may be found online at [www.basicnet.com/corporategovernance/votomaggiato](http://www.basicnet.com/corporategovernance/votomaggiato).

- e) **Employee participation rights: method of exercise of voting rights (pursuant to Article 123-bis, paragraph 1, letter e), CFA)**  
There is no share participation programme for employees.
- f) **Voting restrictions (pursuant to 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 (pursuant to 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 (pursuant to Article 123-bis, paragraph 1, letter h), of the CFA) and statutory provisions on public purchase offers (pursuant to Articles 104, paragraph 1-ter and 104-bis, paragraph 1)**  
The contractual conditions of the loans in place at the date of the present Report include typical clauses for such loans, such as the maintenance of some conditions concerning the holding of the majority shareholder of the Company.

#### Statutory provisions in relation to Takeovers

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

- *“the Board of Directors, and any executive boards, also have the right to undertake, without a Shareholders' Meeting authorisation, all acts and operations against the objectives of a public tender 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 (pursuant to 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' of April 8, 2021 approved, for a period of twelve months, or until the next Shareholders' Meeting to approve the 2021 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 1,230,000 shares (equal to 2.016% of the share capital), at an average price of Euro 5.05 for a total payment of Euro 6,213,629.

BasicNet today holds a total of 9,830,000 treasury shares (equal to 16.116% of the Share Capital), for an investment of Euro 31 million.

**l) Direction and coordination activities (pursuant to Article 2497 and subs. of the Civil Code)**

Following its appointment, the outgoing 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.

In particular, BasicNet S.p.A. considers that it is not subject to the management and coordination of BasicWorld S.r.l., a company which holds 33.128% of the share capital, also 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.

BasicNet S.p.A. carries out direction and coordination activities, pursuant to Article 2497-*bis* of the Civil Code, for the directly and indirectly held Group subsidiaries in Italy. This activity involves oversight of the general strategic directives and in the definition and amendment of guidelines for the Internal Governance and Control model. Coordination involves the central management within BasicNet S.p.A. of the Treasury, ICT, personnel, corporate affairs and operating control. All Group companies adopt and respect the Ethics Code.

**m) Other information**

It is noted that:

- the disclosures required by Article 123-*bis*, paragraph 1, letter i) ("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 Policy and Report pursuant to Article 123-*ter* of the CFA, available on the Company's website [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp);
- the disclosures required by Article 123-*bis*, paragraph 1, letter l) ("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 4.2) of this Report;
- the disclosures required by Article 123-*bis*, paragraph 1, letter l), second part (applicable regulations concerning the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the section of the report concerning Shareholders' Meetings (Section 13).

### 3. COMPLIANCE (pursuant to 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.

BasicNet also adopts, based on the Company's size, the shareholder structure and organisation, the principles, and the recommendations contained in the Corporate Governance Code issued by Borsa Italiana, available on the Borsa Italiana website (<https://www.borsaitaliana.it/comitato-corporate-governance/codice/2020.pdf>).

This report provides information and explanations of any deviations from one or more recommendations of the Code.

Information on the corporate governance of BasicNet S.p.A is available on the Company's website at [www.basicnet.com](http://www.basicnet.com). The site is updated regularly to include all regulatory and corporate information on the Group, including sections dedicated to sustainability, investors, and shareholders.

The Investor Relations section includes a subsection for Corporate Governance, where the following documents are published:

> BasicNet Corporate Governance
> Annual Report
> Ethics Code
> BasicNet Sp.A. By-Laws
> Shareholders' Meeting Regulation
> Internal Dealing
> Principles of the 231 Model
> Related Parties Procedure
> Multi-vote shares

The Annual Report, which is published on the website [www.basicnet.com/contenuti/corporate/corporategovernance.asp](http://www.basicnet.com/contenuti/corporate/corporategovernance.asp), illustrates the governance structure of the Group.

The subsection "The Group" includes the following information:

> The Group
> Significant shareholders
> Group structure
> Corporate Boards
> Group activities
> Presentation video

The subsection "Corporate Boards" includes the qualifications of the Directors and other members of the Boards of Statutory Auditors of the companies of the Group.

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. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors of BasicNet:

1. determines and pursues the Company's strategic, industrial and financial objectives;
2. pursues the objective of creating medium-/long-term value for its shareholders and, more generally, for all those who have a stake in the Group's activities by promoting growth that is economically, environmentally and socially sustainable;
3. designs the corporate governance model and assesses its organisational, administrative and accounting adequacy so that full transparency and fairness in conducting business, in addition to a balanced and effective system of controls and risk monitoring, is always ensured, in accordance with applicable laws and regulations;
4. promotes dialogue with shareholders and all other relevant stakeholders for BasicNet and for the Group.

Within this context, the Board of Directors:

- a. examines and approves the Company and the Group's economic and financial forecasts; the enactment of the plans and the monitoring of performance are, as a rule, reviewed at the meetings called for the approval of the interim financial statements;
- b. defines the organisational structure of the companies of the Group and the corporate governance system of BasicNet;
- c. monitors business risks. This activity, which in 2021 saw an update of the ERM model, 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 and approves operations of the Company and its subsidiaries, when such operations have a significant impact on strategy, on financial performance and standing for the Group as a whole.
- d. assesses the adequacy of the Company's organisational, administrative and accounting structure, following consultation with the Internal Audit function and the Control and Risks Committee on the suitability and adequacy of the Internal Control and Risk Management System;
- e. assigns and revokes the delegation of powers to the Chief Executive Officer, establishing the limits and manner of exercising such power and the frequency, normally not less than quarterly, with which the Executive Boards must report to the Board on the exercise of the powers conferred, in accordance with Article 13 of the Company By-Laws;
- f. assesses the general operational performance, taking into account, in particular, the information received from executive boards, as well as periodically comparing the results with the budgets;
- g. by adopting procedures for the handling of inside information, defined the management of the internal and external publication of inside information and documentation concerning BasicNet and its strategic subsidiaries. In addition to the companies BasicTrademark S.r.l. owner of the brands Kappa® and Robe di Kappa® brands, Jesus® Jeans, Superga® and Briko® and Tos S.r.l., owner of the Sebago® brand, those identified as strategic are: BasicItalia S.p.A., the Group's Italian licensee of the brands indicated above and BasicRetail S.r.l., manager of the retail business and Kappa

Europe S.A.S., subsidiary of BasicItalia S.p.A. and the holding of a group of companies that hold licenses for the Kappa® brands in France, the UK, Switzerland, Spain and Portugal. In addition to these, there are the newly established K-Way S.p.A. and its subsidiaries, K-Way Retail S.r.l. and K-WayRetail SUISE S.A. which develop and distribute the brand of the same name, as well as BasicVillage S.p.A., which provides property management services for the Group.

In 2021, the Board:

- did not deem it necessary to propose that the Shareholders' Meeting amend the Company By-Laws with regard to corporate governance, since they are in compliance with applicable laws and regulations;
- did not define policies for the management of shareholder communications. The Chairperson and the Chief Executive Officer have the powers needed to manage shareholder communications in accordance with applicable laws, regulations and internal procedures regarding the handling of inside information. Section 12 of this report sets out the principles and guidelines, albeit not formalised, for managing dialogue with Shareholders.

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 Control and Risk Management System. At the meeting of March 3, 2022, the Board, noting that the Internal Audit and Supervisory Board report for 2021 identified no significant situations or criticalities, confirmed its opinion regarding the adequacy of the Group Internal Control and Risk Management System, reserving the right, in acceptance of the Committee's recommendations, to assess its strengthening in view of the expansion of the Company's scope. The Board of Directors at the meeting approved the audit plan for 2022 and reserved the right to assess, when the new Board of Directors takes office, an increase in the annual budget available to the boards making up the Internal Control System, in view of the expansion of the Company's scope.

#### 4.2 APPOINTMENT AND REPLACEMENT (pursuant to Article 123-bis, paragraph 1, letter l), CFA)

The norms applied in the appointment and replacement of the Directors are set out in Article 13 of the Company By-Laws, in relation to which reference should be made to the Company's website [www.basicnet.com/contenuti/gruppo/statuto.asp](http://www.basicnet.com/contenuti/gruppo/statuto.asp)

The Company is administered by a Board of Directors, made up of between five and fifteen members. 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 By-Laws provide that at least one member of the Board of Directors, or two if the Board of Directors is comprised of more than seven members, should be considered independent in accordance with law. Each slate should include at least one candidate considered independent.

The procedure for appointment as per Article 13 provides:

- the 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 2022, as in previous years, this percentage was set at 4.5% (Consob Executive Resolution No. 60 of January 28, 2022);

- 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.

#### 4.3. COMPOSITION OF THE BOARD OF DIRECTORS (pursuant to Article 123-*bis*, paragraph 2, letter d), and d *bis*) of the CFA)

The Board of Directors in office was appointed by the Shareholders' Meeting of April 19, 2019 and its mandate concludes with the approval of the 2021 Annual Accounts. It comprises fourteen members, as shown in the table below:

Structure of the Board of Directors whose members were appointed on the basis of slates presented by Shareholders												
Office	Members	Year of birth	Date of first appointment (*)	In office from	In office until	Slate (M/m) (**)	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. of other offices (***)	Attendance (****)
Chairperson	Marco Boglione	1956	1999	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Non-Executive Vice-Chairperson, member of the Remuneration Committee	Daniela Ovazza	1956	1999	19/04/2019	Approval 2021 Accs.	M		X			-	8/8
Chief Executive Officer	Federico Trono	1973	2019	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Director	Alessandro Boglione	1988	2019	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Director	Lorenzo Boglione	1986	2019	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Director	Veerle Bouckaert	1966	2019	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Director	Paola Bruschi	1967	2007	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Non-Executive Independent Director, member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	Elisa Corghi	1972	2016	19/04/2019	Approval 2021 Accs.	m		X	X	X	3	7/8
Non-Executive Independent Director, member of the Control and Risks and Related Parties Committee	Cristiano Fiorio	1972	2019	19/04/2019	Approval 2021 Accs.	M		X	X	X	-	8/8
Director	Francesco Genovese	1988	2019	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Non-Executive Independent Director, Chairperson of the Control and Risks and Related Parties Committee and member of the Remuneration Committee	Renate Hendlmeier	1957	2015	19/04/2019	Approval 2021 Accs.	M		X	X	X	-	8/8
Director	Alessandro Jorio	1960	2019	19/04/2019	Approval 2021 Accs.	M	X				-	8/8
Non-Executive Independent Director, Lead Independent Director, member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	Adriano Marconetto	1961	2007	19/04/2019	Approval 2021 Accs.	M		X		X	-	8/8
Non-Executive Director Chairperson of the Remuneration Committee	Carlo Pavesio	1956	1999	19/04/2019	Approval 2021 Accs.	M		X			1	8/8

(\*) The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of BasicNet S.p.A..

(\*\*) This column indicates whether the slate for each Director is selected from a “majority” slate - “M”, or a “minority” slate - “m”.

(\*\*\*) This column indicates the number of offices a Director or Statutory Auditor holds in other listed companies or large enterprises. The Corporate Governance Report indicates all offices held.

(\*\*\*\*) This column indicates the number of Board meetings attended by each Director, compared with the total number of meetings held during the year.

The curricula vitae of the Directors in office, which describe their personal backgrounds and professional qualifications, are available on the Company's website at [www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp](http://www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp).

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

### **Diversity policies**

At its meeting on March 3, 2022, BasicNet's Board of Directors voted not to adopt any additional diversity policies beyond those required by law, given 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 minority and majority Shareholders submit the slates for the appointment of the Directors, giving preference to the professional profiles that they deem to be most suitable for the Board, irrespective of gender considerations, which are usually taken into account.

In relation to the seniority of the outgoing Board of Directors, 43% of its 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).

BasicNet 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 (864 personnel, 570 women, 294 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 Chairperson 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.

#### **4.4. ROLE OF THE BOARD OF DIRECTORS (pursuant to Article 123-bis, paragraph 2, letter d), CFA)**

In managing its own operations, the Board adopts the provisions of the law and the Company's By-Laws. As such, and in view of the smooth functioning of Board business, it did not consider it necessary to define any further specific rules. For completeness, the role played by the Board of Directors, even if not formally governed by a specific Regulation, is described below.

The Board of Directors meets whenever the Chairperson deems it to be necessary or appropriate, or when requested by at least two members of the board or by the Board of Statutory Auditors. Meetings may also be held off-site, either in Italy or abroad (Article 14 of the Company By-Laws).



Meetings are to be called by the Chairperson, or by another party vested with such powers, by way of registered mail or electronic mail at least five days prior to the date set for the meeting, unless urgent circumstances make this advance notice impossible.

It is standard practice for the Board of Directors to meet at least four times each year to examine financial performance for the period and to provide updates on the activities conducted by the executive boards. The Board of Directors met 8 times in 2021.

Meetings of the Board of Directors may also be validly held by way of teleconferencing, so long as it is possible to determine the exact identification of the persons entitled to attend may be verified, and for all participants to contribute verbally, in real time, on all matters and to receive and send documents.

Executives of the Company may participate at the Board meetings, on the invitation of the Chairperson, where there is a need to provide guidance on the matters on the Agenda.

The documentation concerning the matters under discussion was made available in advance to the Directors and Statutory Auditors. Since 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 and adequately presented during the meeting. The aforementioned deadline for Board meetings was generally met in 2021.

As mentioned above, the Board held eight meetings in 2021, lasting an average of two hours each.

In January 2022, the Company published its financial calendar, which established the days for the five Board meetings for 2022, for the review of the preliminary results, the approval of the 2021 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 financial calendar is available on the website [www.basicnet.com](http://www.basicnet.com)

On February 10, 2022, the first meeting was held to examine the preliminary 2021 data and review corporate affairs as per Article 150 of the CFA and Article 13 of the By-Laws.

#### 4.5. ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

The Chairperson promotes and coordinates the proper functioning of the system of corporate governance in pursuit of the Company's interests.

The Chairperson 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, including by providing information prior to the meeting. The Chairperson also ensures the efficacy of the Agenda of Board meetings, adapting the length of discussion to the importance of the items to be discussed.



## **Secretary to the Board of Directors**

A Secretary to the Board of Directors is appointed by the Board of Directors in order to help organise the Board's activities. This Secretary may be selected from among the members of the Board of Directors, employees of the Company, or other individuals from outside the Company.

The Secretary supports the activities of the Chairperson, in particular in the preparation of board and Shareholders' Meetings, in the drafting of the relevant motions, in ensuring the adequacy, completeness and clarity of the information flows to the Board, in the communication with the Directors.

The Secretary assists the Chairperson in relations with the Board and provides impartial assistance and advice to the Board of Directors on any aspect relevant to the proper functioning of the corporate governance system.

The Secretary also coordinates the activities of the Internal Board Committees and provides related support.

The Secretary drafts the minutes of each Board meeting, signs them along with the Chairperson, and ensures that they are archived in the Company's records.

## **4.6. EXECUTIVE DIRECTORS**

### **The Chairperson and Executive Directors**

The Shareholders' Meeting of April 19, 2019 confirmed Marco Boglione as the Chairperson of the Board of Directors and Daniela Ovazza as Vice-Chairperson of the Board of Directors. On the same date, it appointed Federico Trono as Chief Executive Officer.

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

The Board of Directors meeting of April 19, 2019 delegated to the Chairperson 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 within a limit of 60% of the consolidated equity 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).

The decision to grant executive powers to the Chairperson, the founding member of the Group, is an acknowledgement of the central importance of the role to the sustainability of the Company. While a generational changeover is underway in the interest of business continuity, strongly desired by the Chairperson himself, there is no doubt that he still plays a role in the design of Company's strategic interest and in inspiring, guiding and coordinating the actions and behaviours for achievement of the objectives.

At the same meeting, the Board of Directors delegated:

- to the Chief Executive Officer, 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 within a limit of 50% of the consolidated net equity 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).
- to the Director Paola Bruschi, as Group Finance Director, the role of Executive Officer for Financial Reporting, and powers for the administrative and financial management of the Company.
- see paragraph 6 below for information concerning the appointment of the internal Board committees.

*Executive Committee (pursuant to 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.

#### **Other Executive Directors**

In addition to the Chairperson, Marco Boglione, the following are Executive Directors: the Chief Executive Officer, Federico Trono, who is also a member of the boards of BasicItalia S.p.A, K-Way S.p.A., and BasicNet Asia Ltd., and the Sole Director of K-Way Retail S.r.l.; the Directors Paola Bruschi, Group CFO as well as member of the Board of K-Way S.p.A.; Alessandro Boglione, Chief Executive Officer of the subsidiary BasicItalia S.p.A., Executive Chairperson of the Board of Directors of Kappa France S.A.S. and BasicRetail S.r.l., and Chairperson of BasicNet Asia Ltd; Lorenzo Boglione, Chief Executive Officer of Basic Trademark S.r.l. and TOS S.r.l., Chairperson of the Board of Directors of BasicAir S.r.l., Vice-Chairperson for Business Development of Basic Properties America Inc., and Director of Kappa France S.A.S.

Directors Veerle Bouckaert, Head of Legal Affairs and Board member of Basic Trademark S.r.l., Francesco Genovese, Vice-Chairperson Organisation, and Alessandro Jorio, Group Creative Manager, are also Executive Directors. In January 2022, Alessandro Boglione and Lorenzo Boglione were appointed as Chief Executive Officers of K-Way S.p.A.

#### **4.7. INDEPENDENT DIRECTORS AND LEAD INDEPENDENT DIRECTOR**

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

Once each year, and upon the appointment of new members, the Board assesses the independence of its members based on the circumstances defined in the CFA and in the Code. Recommendation 7 of the Corporate Governance Code provides that, at least at the beginning of their term of office, the Board of Directors should define the quantitative and qualitative criteria for assessing the significance of certain commercial, financial or professional relationships that could compromise the independence of Directors. Given that the need for such an assessment has not arisen in the current configuration, the Board has decided not to make any determinations in this regard.

The Board of Directors meeting of March 3, 2022 assessed, on the basis of their declarations, the independence of the Directors Cristiano Fiorio, Renate Hendlmeier, Adriano Marconetto and Elisa Corghi. 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 did he receive remuneration that was different to the remuneration of Non-Executive Directors, or any other remuneration from BasicNet or Group companies, and he did not provide any type of consultancy activity, even free of charge. 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.

With regard to the above, the Board deemed that the Director Marconetto continues to meet the independence requirements, considering that the fact that he has been in office for more than nine years is not to his detriment, but rather that his acquired knowledge of corporate and market dynamics concerning the individual Group brands is a positive and fundamental aspect of his ability to judge and contribute to the assessments of the Board of Directors.

As stated in the report to the Shareholders' AGM called for the approval of 2021 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.

### **Lead Independent Director**

At its meeting of July 27, 2019, the Board of Directors appointed Adriano Marconetto as Lead Independent Director. In this role he co-ordinates any requests and contributions from Independent Directors, ensuring that the Independent Directors receive complete and timely information flows on the Company's management and performance.

## **5. MANAGEMENT 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 inside information, for the management of delayed disclosure, in addition to the setting up and management, based on a specific IT procedure, of the Register for persons with access to insider information and a Register of persons possessing "relevant information".

Since April 1, 2006, the Internal Dealing Code has been applicable, updated in 2016 to incorporate new provisions of the Regulation of the European Parliament and Council of April 16, 2014 No. 596/2014. The Code governs the procedures for disclosure to the market on operations on BasicNet S.p.A. shares by "Significant Persons" of the Group, as identified by Article 114 and thereafter of the CFA.

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

In 2021, six Internal Dealing communications regarding transactions involving the BasicNet share by one shareholder were received in accordance with the Market Abuse Regulation (MAR).

## **6. INTERNAL COMMITTEES TO THE BOARD (pursuant to 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.

The Board did not set up, as illustrated below, an Appointments Committee or other given the independent presentation of the slates by the shareholders.

As for the Board of Directors, there are no formal rules for the functioning of the committees. It is standard practice for the committees to meet when called by the committee Chairperson, in coordination with the Company's Corporate Affairs function. All committee members have access to the company information needed for their activities. Materials regarding the items on the Agenda for the committee meeting are to be provided by the Corporate Affairs unit at least two days prior to the meeting, unless otherwise established (e.g. procedures for the examination of related party transactions require that documentation be provided at least 15 days prior to the meeting at which the Committee is called to express its opinion on the transaction). The minutes of committee meetings are drafted by their respective Chairpersons. Minutes of committee meetings are to be archived by the Corporate Affairs unit.

The average length of committee meetings is two hours for the Control and Risks and Related Parties Committee and one hour for the Remuneration Committee.

## STRUCTURE OF THE INTERNAL BOARD COMMITTEES AT YEAR-END

B.o.D.		Control and Risks and RPT Committee		Remuneration Committee	
Office/Category	Members	(*)	(**)	(*)	(**)
Independent Non-Executive Director as per CFA and Code	<b>Renate Hendlmeier</b>	11/11	P	4/4	M
Independent Non-Executive Director as per CFA and Code	<b>Elisa Corgi</b>	11/11	M	4/4	M
Independent Non-Executive Director as per CFA and Code	<b>Cristiano Fiorio</b>	8/11	M		
Independent Non-Executive Director as per CFA and Code	<b>Adriano Marconetto</b>	10/11	M	4/4	M
Independent Non-Executive Vice-Chairperson	<b>Daniela Ovazza</b>			4/4	M
Non-Independent Executive Director	<b>Carlo Pavesio</b>			4/4	P
Number of meetings held in the year:		11		4	

### KEY

**Office:** Office within the Board of Directors.

(\*) This column indicates the percentage of attendance of the Director in relation to the Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(\*\*) This column indicates the position of the Director on the Committee: "C": Chairperson; "M": member.

## 7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - APPOINTMENTS COMMITTEE

The Board of Directors has not provided for the establishment of an Appointments Committee for Directors, nor has it conducted the self-assessment activity. The Board consider that its self-assessment, or where the same task is assigned to an outsourcer, is a non-substantial act, given that, because of the transparency which the Board of Directors of BasicNet has always provided, each Director may present at any time suggestions to improve the operation and functioning of the Board and its Committees.

With regard to the choice of appropriate professionals to sit on the Board of Directors, the Board believes that this assessment is the duty of the minority and majority shareholders - on the basis of the slates presented. In this regard, the Board does not find it to be necessary to express an opinion on the composition of the Board that is qualitatively or quantitatively optimal for its proper functioning.

## 8. DIRECTORS' REMUNERATION - REMUNERATION COMMITTEE

### 8.1. REMUNERATION OF DIRECTORS

#### Remuneration Policy

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

On March 3, 2022, the Board approved the Report, which is available on the company website, together with the Shareholders' Meeting documentation, at [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp)

BasicNet's remuneration policy is determined by taking into consideration aspects of the compensation and working conditions of the Company's employees. Both respond to the aim of attracting, retaining and motivating human resources with the necessary skills to oversee and develop the Company's activities and to lay the foundations for sustainable medium to long-term growth. In line with BasicNet's philosophy, employees' working conditions play a decisive role, alongside compensation, in fostering a sense of belonging to the Group and building corporate identity, which in turn is recognised as a critical success factor for the pursuit of the Company's long-term interests and sustainability. Consistently and as a demonstration of the centrality of the human factor in the company's strategy, BasicNet employees work in the BasicVillage, designed to put the person at the centre, who can enjoy a series of services and recreational spaces. BasicNet grants its employees certain access privileges (e.g., the gym) and provides basic services (e.g., delivery person for private errands, online shopping package pickup, free parking).

The Remuneration Policy adopted for the corporate boards requires the Shareholders' Meeting to approve the annual remuneration of all Board of Directors and Statutory Auditors members; the remuneration of the Senior Directors and the members of the Internal Board Committees 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, having heard the opinion of the Board of Statutory Auditors. The compensation of Senior Executives is proposed by the Chairperson and submitted to the Board of Directors for approval, after consultation with the Remuneration Committee. Finally, the Remuneration Committee and the Related Parties Committee shall intervene in cases where the allocation of remuneration does not comply with, but deviates from, the Remuneration Policy most recently approved by the Shareholders' Meeting.

The remuneration is represented by a fixed component only, determined to sufficiently remunerate the performance of the Executive Director/Senior Executive according to the responsibilities of his or her office, regardless of the additional component or bonus, if any; the Group's remuneration policy does not provide for any variable remuneration component, either in the long term or the short term, as described in the Remuneration Report. The Board of Directors, on the proposal of the Chairperson or of the Board of Directors, and having consulted the Remuneration Committee and the Related Parties Committee, may in exceptional cases establish additional one-off remuneration.

The Board of Directors has identified as Senior Executives the Chief Executive Officer, Federico Trono, the Directors Lorenzo Boglione and Alessandro Boglione - who are Chief Executive Officers of strategic companies for the Group - and Paola Bruschi, CFO of BasicNet S.p.A.

The Board also establishes the remuneration of the Supervisory Board, of the Internal Auditor Manager and of the Executive Officer for Financial Reporting.

No stock option plans have been established for Directors.

A third-party D&O - Directors' & Officers' Liability civil liability policy in addition covers the Directors, Statutory Auditors and Executives for circumstances relating to the exercise of their functions, excluding incidences of fraud. This concerns insurance cover (structurally not consisting of consideration) signed independently of the Company for the benefit of all Group Directors and Statutory Auditors in office.

## **Indemnity of the Directors in case of dismissal and termination of employment following a public tender offer (pursuant to Article 123-bis, paragraph 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 Policy and Report published pursuant to Article 123-ter of the CFA, available on the Company’s website [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp).

## **8.2. REMUNERATION COMMITTEE**

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

At the Board meeting of April 19, 2019, the Board appointed the Remuneration Committee comprising the Directors Carlo Pavesio (Chairperson) and Daniela Ovazza, Non-Executive Director and the Non Executive Independent Directors Elisa Corghi, Renate Hendlmeier and Adriano Marconetto.

The workings of the Committee are usually recorded by the Chairperson Carlo Pavesio, who reports to the Board of Directors at the first available meeting.

Within its remit, the Committee: makes proposals to the Board concerning the remuneration policy, also taking into account the vote expressed by the Shareholders' Meeting; periodically assesses - when preparing the annual remuneration report - the adequacy of the general policy adopted for the remuneration of Executive Directors and Senior Directors; submits proposals to the Board concerning the remuneration of Senior Directors and expresses its opinion on the remuneration issues of Senior Executives; examines the remuneration proposals and expresses its opinion in case of exceptions to the remuneration policy approved by the Shareholders' Meeting.

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

In 2021, the Committee met on four occasions to review the draft of the Remuneration Report to be presented to the Shareholders' Meeting, the proposals for a one-off bonus for the Chairperson of the Board of Directors and the proposal to increase the remuneration of the Executive Directors. The Chairperson of the Board of Statutory Auditors attended all meetings of the Committee.

## **9. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM - CONTROL AND RISKS COMMITTEE**

The Internal Control and Risk Management System consists of a set of rules, procedures and organisational structures aimed at the effective and efficient identification, measurement, management and monitoring of the main risks, in order to contribute to the sustainable success of the Company.

The Board of Directors establishes its guidelines in line with the Company’s strategy, periodically verifying their adequacy and effective functioning, ensuring that the principal corporate risks are identified and adequately managed.

This activity is carried out with the support of a number of boards, corporate structures and functions which, each according to their own areas of competence, oversee the identification, monitoring and management of risks and which together make up the Internal Control and Risk Management System. The persons involved are the Chief Executive Officer, the Control and Risks and Related Parties Committee, the head of the Internal Audit Function, and the Supervisory Board.



The Ethics Code, the Sourcing Centers Ethics Code which includes social compliance principles and the Organisation, Management and Control Model as per Legislative Decree No. 231/2001 and subsequent amendments, are an integral part of the Internal Control and Risk Management System.

As regards assessment of the Internal Control and Risk Management System, on March 3, 2022 the Board of Directors considered that there were no indicators to suggest that the Internal Control and Risk Management System is not substantially appropriate for overseeing the typical business risks associated with the main operating activities, without prejudice to the assessment of its strengthening in the light of the developing company situation, in order to keep the process of identifying, monitoring and managing risks effective, within a more structured Group.

## 9.1 CHIEF EXECUTIVE OFFICER

The Chief Executive Officer is responsible for identifying the Company's primary risks - taking account of the characteristics of the activities conducted by the Company and by its subsidiaries - for the planning, realisation and management of the Internal Control and Risk Management System, constantly verifying its adequacy and efficiency, and adapting it to changes in operating conditions and legal and regulatory frameworks. The Chief Executive Officer has entrusted the head of the Internal Audit function with the task of carrying out checks on specific operational areas and on compliance with internal rules and procedures in the execution of corporate transactions; these checks have been included in the Audit Plan examined by the Control and Risks Committee and approved by the Board of Directors.

## 9.2 INTERNAL AUDIT MANAGER

The task of verifying the operation and suitability of the Internal Control and Risk Management System is entrusted to the Internal Audit Manager. 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 from 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 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. S/he reports on his/her activities to the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors, to which the periodic reports are addressed, and at Committee meetings.

Control activities are carried out on the basis of the annual audit plan approved by the Board of Directors, which is risk-based in nature, and verification activities are also carried out through an online reporting tool available on the corporate 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. S/he collaborates with the other actors involved in issues of compliance and risk management, in order to monitor the exposure level and vulnerability of the Company to risks. The Internal Audit function 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.

The Internal Audit Manager prepared periodic reports on the activities carried out in accordance with the Plan and the outcome of them, providing a positive assessment to the control body, the Control and Risks Committee, the administrative body and the Chief Executive Officer on the suitability of the Internal Control and Risk Management System.

### 9.3. CONTROL AND RISKS COMMITTEE

*Composition and operation of the Control and Risks Committee (pursuant to 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 deems that the members have adequate expertise in the Company's business sector in order to assess related risks, and in accounting and finance and risk management.

#### *Duties attributed to the Internal Control and Risks Committee*

The Committee assists the Board of Directors and has the task of supporting - through an adequate preliminary activity - the assessments and decisions made by the administrative body concerning the Internal Control and Risk Management System, in addition to the activities relating to the approval of periodic financial and non-financial reports.

In 2021, the Committee met eleven times with an average meeting duration of two hours. During the year, the meetings of the Control and Risks and Related Parties Committee were also attended by the Chairperson of the Board of Statutory Auditors, Maria Francesca Talamonti, the Statutory Auditors Sergio Duca and Alberto Pession, the Chief Financial Officer and Executive Officer for Financial Reporting, the President of BasicManagement.com, the Internal Audit Manager, the Chairperson and members of the Supervisory Board and the company appointed to audit the Group's accounts during the year, in addition to the consultants, in line with the mandates, topics and attendance records contained in the minutes of the Committee meetings. During its meetings, the Committee: examined the adoption of new internal regulations, specifically the Related Party Transactions Policy, amended as required by the new provisions on Related Party Transactions, effective as of July 1, 2021 (in implementation of the Shareholders' Rights Directive II, introduced by Consob with Resolution No. 21624 of December 10, 2020), for which it expressed a favourable opinion for submission for approval to the Board of Directors;

- conducted evaluations regarding corporate governance issues, such as the review of certain principles and recommendations of the Corporate Governance Code approved by the Corporate Governance Committee and the independence of the Data Controller;
- encouraged the definition of a structured risk management model that would develop the models and framework already adopted by the Group; periodically met with the Group's appointed consultant and formulated recommendations for the consolidation and strengthening of the process to identify, assess and manage risks related to the Group's expansion and increasingly complex structure;
- met periodically with the Internal Audit Manager, reviewed the Internal Audit Plan and periodic reports on the implementation of the plan and the suitability of the Internal Control and Risk Management System, as set out above;
- examined the reports submitted to the Board of Directors by the Supervisory Board and acknowledged the evaluations expressed with regard to updating the 231 Model, the absence of censurable events or violations of the Organisational Model or of the provisions contained in Legislative Decree No. 231/2001; acknowledged the adoption and compliance of the protocols regarding occupational health and safety in relation to the COVID emergency;



- carried out the activities within its remit relating to financial disclosure as regards the Financial Statements at December 31, 2021, with a meeting of the Executive Officer for Financial Reporting and the independent audit firm in the presence of the Board of Statutory Auditors. This sought to assess the correct use and uniformity of the accounting standards adopted in preparing the financial statements and the consolidated financial statements for 2021, expressing a favourable opinion on approval of the accounting documents to the Board of Directors;
- reviewed, with the support of consultants, the materiality analysis performed by the Company to identify material information provided in the 2021 Consolidated Non-Financial Report, reviewed the 2021 Consolidated Non-Financial Report, making recommendations and rendering a favourable opinion on the Board's approval of the Consolidated Non-Financial Report;
- monitored compliance with the Related Parties Procedure and the framework agreements governing the relationships with related parties, by expressing reasoned opinions on the proposals submitted to the Committee during the year: (i) definition of the framework agreement for the year 2022 and acknowledgement of the signing of the related agreement with the firm Pavesio ed Associati with Negri Clementi; (ii) recognition of a one-off bonus to the Executive Chairperson of the Company and (iii) proposal for the recognition of a one-off bonus to the Chief Executive Officer of BasicNet S.p.A., Mr. Federico Trono, being able to examine the outcome of a benchmarking analysis produced by Mercer; (iv) issue of an opinion on the remuneration proposal to Messrs. Lorenzo Boglione and Alessandro Boglione for their role as Chief Executive Officers of the newly-established strategic company K-Way S.p.A.; (v) issue of an opinion on a purchase/sale that may be considered a less significant related party transaction.
- noted that no support was requested from the Committee by the Board of Directors for prejudicial events in 2021;
- prepared the half-yearly and annual reports of the Control and Risks Committee and periodically reported on the outcome of its activities to the Board of Directors, considering, on the basis and within the limits of the activities carried out, the reports of the Internal Audit Manager, the exchanges of information with the Board of Statutory Auditors and the independent audit firm, that no indicators had emerged that would suggest that the Internal Control and Risk Management System was not adequate, and inviting the Board of Directors to consider strengthening the control functions in order to maintain the effectiveness of the process of identifying, monitoring and managing risks in the context of the Group's more complex structure.

#### 9.4. ORGANISATION MODEL PURSUANT TO LEGISLATIVE DECREE No. 231/2001

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.

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.

To promote awareness of and respect for the Ethics Code and the organisation and control model these have been published on the Company's website [www.basicnet.com/contenuti/corporate/codiceetico.asp](http://www.basicnet.com/contenuti/corporate/codiceetico.asp) and in the area dedicated to Group employee time-keeping.

In preparing the Model, account was taken of the existing and operating control systems and policies at the Company and considered an integral part of the Model: the Internal Dealing Code and the Related Party Transactions Policy. The model, continually evolving, integrates and strengthens the corporate control system through the preparation and continual updating of the related procedures. It also provides

for a disciplinary system which appropriately sanctions non-compliance with the measures and principles contained in the above-stated documents.

The Organisational Model was most recently updated in 2020 to introduce 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 No. 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 SB met four times in 2021 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 2021, 39 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 104 participants, of which 102 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. Substantiated violations of the principles of the Ethics Code will result in sanctions.

To promote awareness of and respect for the Ethics Code and the Organisation and Management model pursuant to Legislative Decree No. 231/2001, these have been published on the Company's website [www.basicnet.com/contenuti/corporate/codiceetico.asp](http://www.basicnet.com/contenuti/corporate/codiceetico.asp) and in the area dedicated to Group employee time-keeping.

### **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 familiarise 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 authorised 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 Organisation 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 organised 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. Related party transactions, 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 Organisation 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 Organisation Model so that management of the sales process was considered to be one of the Group's “sensitive” activities, especially as regards:

- authorisation 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 102.5 hours of training in 2021, involving 175 participants, of which 2 Executive and 169 white-collar workers and 4 blue-collar workers, all based in Italy.

<b>Participants in training and on anti-corruption policies</b>		<b>2021</b>	<b>2020</b>
Executives (No.)		2	1
	% of total Executives*	6.66%	3%
White-collar (No.)		169	119
	% of total White-collar*	28.11%	22%
Blue-collar (No.)		4	2
	% of total Blue-collar*	20%	10%
<b>Total (No.)</b>		175	122
	<b>% total Group*</b>	<b>26.88%</b>	<b>20%</b>

*\*Percentages are calculated on the average workforce in Italy in 2021*

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

## 9.5 INDEPENDENT AUDIT FIRM

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

The proposal to the Shareholders' Meeting regarding the new appointments, in accordance with Legislative Decree No. 135 of July 17, 2016 and Regulation (EC) No. 537/2014, 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.

## 9.6 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 communicates on an ongoing basis with the Independent Audit firm.

The Board believes that this Executive Officer for Financial Reporting is impartial in relations with the other functions involved in the control process.

## 9.7 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, usually attended by the CFO, the Internal Audit Manager, a member of the Supervisory Board, the Board of Statutory Auditors, and by the independent audit firm, as per the attendance described in the minutes, also provide an opportunity for the parties involved in the system to meet and coordinate.

*Control and Risk Management System in relation to the financial reporting process (pursuant to 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.



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

## 2) Description of the principal characteristics of the 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.

## 10. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

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 Related Party Transactions Policy. 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 and most recently in June 2021 to update the provisions introduced by Consob Regulation.

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.

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 boards, provided they are not a related party in the transaction, within the limits of their delegated powers, with prior non-binding opinion of the Related Parties Committee.

In general, exempted from the procedure, in addition to all the matters expressly indicated by the Related Party Regulation issued by Consob, are minor transactions (amounts not above Euro 150 thousand for natural persons and Euro 200 thousand for legal persons), provided they are undertaken at

market or standard conditions within the ordinary transactions 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 transactions with associates provided that the associated company counterparties in the transaction 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 Executives between BasicNet and its subsidiaries.

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.

The procedure is available on the Company’s website:

[www.basicnet.com/contenuti/corporate/particorrelate.asp](http://www.basicnet.com/contenuti/corporate/particorrelate.asp)

## 11 APPOINTMENT OF STATUTORY AUDITORS

### 11.1 APPOINTMENT AND REPLACEMENT

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

The Board of Statutory Auditors consists of three Statutory Auditors and two Alternate Auditors.

As the minority shareholders, as identified by the legal and regulatory provisions, are reserved the election of a Statutory Auditor - who assumes the role of Chairperson - 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 shareholder agreement in accordance with Article 122 of Legislative Decree No. 58 of February 24, 1998, may not present, nor vote upon, nor through nominees of trust companies, more than one slate. Should this rule be violated, the shareholder's vote for any of the slates submitted shall be disregarded.



Each candidate may be presented on only 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 at the Shareholders' Meeting, based on the progressive order on the slate, two Statutory Auditors and one Alternate Auditor are elected;
- b. from the slate which obtained the second highest number of votes at the Shareholders' Meeting, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

The Chairperson 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 Chairperson 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 Chairperson, 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.

## 11.2. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to 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:

Office	Members	Year of birth	Date first appointment (*)	In office from	In office until	Slate (M/m) (**)	Ind. Code	Attendance at board meetings (***)	No. other offices (****)
Chairperson	Maria Francesca Talamonti	1978	28/04/2016	19/4/2019	Approval 2021 Accs.	m	X	10/10	3
Statutory Auditor	Sergio Duca	1947	27/4/2017	19/4/2019	Approval 2021 Accs.	M	X	7/10	3
Statutory Auditor	Alberto Pession	1965	27/4/2017	19/4/2019	Approval 2021 Accs.	M	X	10/10	1
Alternate Auditor	Giulia De Martino	1978	28/04/2016	19/4/2019	Approval 2021 Accs.	m	X	N/A	
Alternate Auditor	Maurizio Ferrero	1964	27/4/2017	19/4/2019	Approval 2021 Accs.	M	X	N/A	

(\*) The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of BasicNet S.p.A.

(\*\*) This column indicates whether the slate from which each Statutory Auditor is selected is a "majority" slate ("M"), or a "minority" slate ("m").

\*\*\* This column indicates the attendance by Statutory Auditors at meetings of the Board of Statutory Auditors  
 (\*\*\*\*) This column indicates the number of offices of Director or Statutory Auditor in accordance with Article 148-bis of the CFA and the relative enacting provisions in 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' Regulation.

## Diversity criteria and policies

Reference should be made to paragraph 4.3 concerning the Board of Directors.

## Independence

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

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

The Statutory Auditors may participate in meetings subsequent to their appointment and during their mandate with the Chairperson 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.

## Remuneration

The Company considers that the remuneration of the Statutory Auditors is appropriate with regard to the competence, professionalism and commitment required by the role held in relation to the size of the Company.

### **Management of interests**

Any Statutory Auditor who, on his/her own behalf or that of third parties, has an interest in a certain transaction of the issuer shall inform the other Statutory Auditors and the Chairperson of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. This event however has never occurred.

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

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

## **12. RELATIONS WITH SHAREHOLDERS**

### **Access to information**

Dialogue with investors has been encouraged since listing, through continuous updates to the Company's website [www.basicnet.com](http://www.basicnet.com) on which financial information of interest to shareholders in general (Annual Reports and periodic reports, the Non-Financial Report, 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.

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

Shareholders may communicate with the Company through the address [affarisocietari@basic.net](mailto:affarisocietari@basic.net).

### **Dialogue with Shareholders**

The Group is 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 in accordance with the procedures for the management of material and inside information as approved by the Board of Directors of BasicNet.

Dialogue between the Company, by way of the Chairperson and Chief Executive Officer, with the financial community mainly involves:

- the regular publication of information by way of the annual and interim financial and non-financial reports and periodic additional information;
- the dissemination, by way of the distribution and storage system used by the Company, and subsequent publication online of press releases concerning periodic financial or inside information;
- one-on-one meetings when requested by current or potential investors.

2021 saw the continuation of communication with analysts and investors which began in 2018 with the establishment of a conference call in which the Chief Executive Officer presents the Company's periodic results to analysts and asset managers, 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. Meetings with individual investors also continued and were extended to include a number of Italian and overseas operators.

### 13. 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 Chairperson and the Chief Executive Officer provide the shareholders with all the necessary information for the undertaking of motions.

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 tender or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer.

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

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

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

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

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

In 2021, two Shareholders' Meetings were held. In order to minimise the risks connected with the health emergency, the Company decided to utilise the option - provided by Article 106 of Decree-Law No. 18/2020 concerning "Measures to strengthen the National Healthcare Service and economic support for families, workers and businesses related to the COVID-19 epidemiological emergency" (converted, with amendments, by Law No. 27 of April 24, 2020), and as extended by Article 3, paragraph 6 of Legislative Decree No. 183 of December 31, 2020, converted by Law No. 21 of February 26, 2021 (hereinafter the "Decree") - to stipulate in the call notice that shareholder participation at the Shareholders' Meeting shall be exclusively through the Designated Agent, pursuant to Article 135-*undecies* of the CFA, without therefore physical participation by shareholders.

14. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to 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.

15. CHANGES SUBSEQUENT TO THE YEAR-END

There have been no changes since the close of the fiscal year.

16. CONSIDERATIONS ON THE LETTER OF DECEMBER 3, 2021 OF THE CHAIRPERSON OF THE CORPORATE GOVERNANCE COMMITTEE

In December 2021, 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 Board meeting of March 3, 2022. The outgoing Board of Directors has validated its choices, which it believes have been adequately justified in this Report, and believes that any different assessment in the area of governance is reserved for the incoming Board of Directors, in the context of the broader assessments regarding the appropriate organisational structure to pursue the objectives and implementing the strategies that will be the basis for the next three years of activity.

On behalf of the Board of Directors

**The Chairperson**

Marco Daniele Boglione