



CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2022

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CORPORATE BOARDS**BOARD OF DIRECTORS**

Marco Daniele Boglione	Chairperson
Alessandro Boglione	Vice-Chairperson
Lorenzo Boglione	Vice-Chairperson
Federico Trono	Chief Executive Officer
Maria Boglione	Director
Veerle Bouckaert	Executive Director
Piera Braja	Independent Director Remuneration Committee Chairperson of the Control and Risks and Related Parties Committee
Paola Bruschi	Executive Director
Francesco Calvo	Independent Director Remuneration Committee Control and Risks and Related Parties Committee
Cristiano Fiorio	Independent Director Control and Risks and Related Parties Committee
Monica Gamberoni	Executive Director
Francesco Genovese	Executive Director
Daniela Ovazza	Remuneration Committee
Carlo Pavesio	Chairperson of the Remuneration Committee

BOARD OF STATUTORY AUDITORS

Ugo Palumbo	Chairperson
Gianna Luzzati	Statutory Auditor
Alberto Pession	Statutory Auditor
Simonetta Mattei	Alternate Auditor
Riccardo Garbagnati	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.p.A.

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

Marco Boglione, 1999

Dear Shareholders,

2022 Key Performance Indicators:

- aggregate sales of Group products by the Global licensee Network of Euro 1.3 billion, up 34.1% as follows:

<i>(in Euro millions)</i>	2022	2021	% Change
Commercial and direct licensee sales	902.0	709.6	27.1%
Productive licensee sales	371.1	239.8	54.8%
Brand aggregate sales	1,273.1	949.4	34.1%

Excellent aggregate commercial direct sales and in particular: Europe, accounting for approx. 67.9% of aggregate sales, grew 26.9% on the previous year. Asia and Oceania, accounting for 8.9% of aggregate sales, grew 40.5%, with the Middle East and Africa up 29.9% and the Americas by 18.6%;

- consolidated revenues of Euro 386.1 million (Euro 296.4 million in 2021, +30.0%), as follows:
 - royalties from commercial and productive licensees: Euro 72.3 million (Euro 54.8 million in 2021, +32.0%);
 - direct sales: Euro 312.7 million (Euro 241.6 million in 2021), up 29.4%;
- EBITDA: Euro 60.9 million (Euro 44.2 million in 2021);
- EBIT: Euro 46.1 million (Euro 31.6 million in 2021);
- net profit of Euro 30 million (Euro 20.3 million in 2021, +47.7%);
- net financial position: Euro 141.7 million (Euro -61.7 million at December 31, 2021). Dividends of Euro 6.1 million were distributed in 2022 following the significant commercial growth and treasury shares acquired for Euro 6.5 million. The Group also acquired for Euro 36.9 million full ownership of the company K-Way France and invested Euro 9.9 million in the Real Estate sector.

PARENT COMPANY KEY FINANCIAL HIGHLIGHTS:

- EBITDA of Euro 8.2 million (Euro 6 million in 2021);
- net profit of Euro 11.2 million (Euro 4.8 million adjusted* in 2021).

In addition to the Corporate Governance and Ownership Structure Report, this document also presents the Consolidated non-financial report as per Legislative Decree No. 254/2016. This document summarises the initiatives taken by the Group to operate its business ethically and responsibly, in order to engage all stakeholders in the objectives and results of the entire supply chain, also in social and environmental terms. The Group's objective remains that of sustainably extending its global leadership position through the strength of its brands.

The result in 2021 was impacted by a non-recurring component in the form of Euro 60.9 million in financial income on the transfer of the K-Way business unit to the newly established company K-Way S.p.A.

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

Commercial licensees or licensees	independent business owners, granted licenses to distribute Group brand products in their respective regions.
Productive licensees or sourcing centers	third-party firms to the Group. Their function is to manufacture and market merchandise and are located in various countries worldwide, depending on what type of goods they produce.
Commercial and direct licensee aggregate sales	sales by commercial licensees, recognised by the BasicNet Group to the royalties account and the sales by the Group company license holders.
Productive licensee aggregate sales	sales by productive licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.
Brand aggregate sales	is the sum of "Aggregate sales of commercial and direct licensees" and "Aggregate sales of production licensees"
Consolidated Revenues	the sum of royalties, sourcing commissions and sales of the BasicNet Group companies and property revenues.
EBITDA	“operating result” before “amortisation and depreciation”.
EBIT	“operating result”.
Contribution margin on direct sales	“gross margin”;
Debt/equity ratio	this is an indicator of the financial structure of the balance sheet and is calculated as the ratio of financial debt to shareholders' equity.
Net Debt	total of current and medium/long-term financial payables, less cash and cash equivalents and other current financial assets.
Net financial position with banks	the Net financial position, net of payables for rights-of-use and payables for the acquisition of company shares.
Earnings/(loss) per share	calculated as required by IFRS on the basis of the weighted average number of shares in circulation in the year.

THE GROUP AND ITS ACTIVITIES

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

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

STRENGTHS

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

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

1. Brand positioning

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



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



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



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



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



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



produces exceptional American footwear.

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

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



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



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

2. The Business System

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

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

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

The functioning of the Business System is very simple. The parent company BasicNet S.p.A. undertakes the “Powered by” activities serving the companies owning the individual brands.

These “Powered by” activities mainly include:

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

The Brand owning companies undertake:

- research and development activities
- global marketing

The brand-owning companies in the directly managed territories and the licensees, according to territory or goods category, distribute products to retailers, carry out local marketing, regional logistics and working capital funding.

The production flows of the Group brand finished products which are distributed by the commercial licensee businesses in their territories are awarded to the licensee businesses (the Sourcing Centers), managed through the Business System platform which connects the production sources with the product distribution companies.

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

As part of the Retail project, the various brands have been developed around the three principal retail levels, through which the Group sells directly to the public in Europe:

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

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

3. Web Integration

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

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

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

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

STRUCTURE OF THE GROUP

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

- the “clothing, footwear and accessories” sector;
- “property management”.

The **clothing, footwear and accessories sector** includes all Group entities with the exception of BasicVillage S.p.A.. The sector encompasses all activities directly related to the development of the brands owned and the distribution of related products, both directly and by way of a global network of licensees. In particular:

- the strategic and “Powered by” activities described above and developed by BasicNet S.p.A. and by the Group Brand owning companies;
- the granting of the intellectual property rights of the BasicNet Group to the various licensee producers and distributors, as well as the administration of the contracts and management of related cash flows;
- the direct use and development of the intellectual property rights and of the products of all brands of the BasicNet Group for Italy and of Kappa in France, the UK, Spain, and Switzerland and K-Way in France;
- the operational management of major sponsorship and merchandising contracts, some of which with international visibility, benefitting also the Network;
- the management of the Group brand sales points within the plug@sell project in Italy and of the direct sales points in France, Spain and Switzerland.

Property management is carried out by Basic Village S.p.A., which owns commercial and residential properties of more than 30,000 sq m, including:

- the former Maglificio Calzificio Torinese production site. Restructured and preserved in 1998, the facilities house the headquarters of BasicNet Group, called BasicVillage, and numerous other Group and third party activities;
- the property adjacent to BasicVillage in Via Padova 78, Turin, leased to third parties;
- an industrial building covering approx. 4,000 sq m in Milan, Via dell'Aprica 12, close to the Scalo Farini, acquired in 2020 and inaugurated in 2022;
- a property in Turin (Strada della Cebrosa, 106), leased to the company BasicItalia.
- of the property located in Turin, Corso Regio Parco, 33.

The BasicVillage project came about in response to three basic human needs, i.e. a home, a job, and free time.

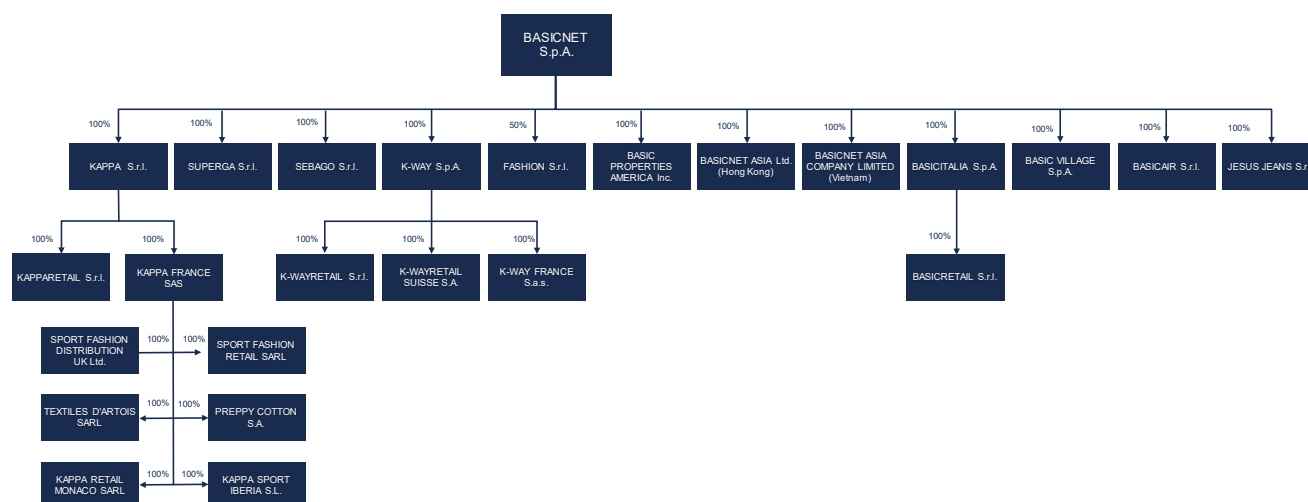
BUSINESS TARGETS

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

The Group project centres on:

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

The BasicNet Group structure at December 31, 2022 is presented below:



A corporate reorganisation was launched at the beginning of the year for a better focus on the individual brands (similar to that in 2021 for K-Way). Following the corporate transactions executed in the year, all the brand owning companies are now under the direct control of BasicNet S.p.A. The reorganisation plan continues in 2023, with the goal of bringing the management of commercial activities within the companies owning the individual Brands and the retail activities under the control of the individual brands, through the respective retail companies. KappaRetail S.r.l. is already operative, while others shall become operative during the year.

The project does not entail any change in the Group's ownership structure or equity structure.

2022 SIGNIFICANT EVENTS

Acquisition the entire share capital of K-Way France.

K-Way S.p.A. signed an agreement to fully acquire K-Way France S.a.s, the K-Way® brand licensee company in France and operating in the country through a network of mono-brand, direct and franchising stores, alongside a distribution network of selected multi-brand stores. The acquisition allows the Group to further consolidate the growth of the K-Way® brand in one of its main markets and also the country where the brand was created in the mid-1960's.

Reference should be made to Note 8 for the detailed outline of the transaction, in addition to the impacts on this Financial Report.

REGIONAL COMMERCIAL PERFORMANCES

Commercial operations focused mainly on the renewal of expiring licensing contracts. We highlight the new Kappa® brand distribution agreements for Uruguay and Peru, for Japan for K-Way® and for Turkey for the Sebago® brand.

Major communication initiatives in 2022 include:

- Kappa® signed new sponsorship contracts with the U.S. Ski & Snowboard Federation, l'Equipe de France de Snowboard (French National Snowboard Association), the Renault Alpine Formula 1 team (in collaboration with K-Way®), the Kaizer Chiefs South African football team, in addition to sponsoring the footwear, music and lifestyle event Sole DXB in Dubai and the ninth edition of the Kappa® FuturFestival. With the claim "Winning Starts Within" the Kappa® Keep Performing global digital campaign took place also in 2022, with five ambassadors for the spring-summer season: tattoo artist Patrick Bates, football player Manhoor, model and entrepreneur Leo, the singer Yvon, airplane instructor and firefighter Tiarna and many other volunteers who chose to tattoo the "Winning Starts Within" phrase on their skin. The Italian testimonials included four Generation Z representatives (Hell Raton, Ariete, Red and Shades of Banana), while the Spanish testimonial was the French origin singer and actor Pol Granch. For autumn-winter, the digital campaign ambassador in Great Britain was the London community organisation Street Soccer London. In Italy, three teams renewed the brand's key message: the street artist crew Truly Design, the female clubbing dj Strulle and the sportsclub Insuperabili. We highlight also Kappa®'s co-branding with Befancyfit and the capsule collection with Rainbow Six, while Seville (Spain) saw the launch of the international project "Kappa® Graffiti: Football is everywhere", with maxi-stickers of the "Omini di Kappa®" in an unprecedented version appearing on the walls of major European cities, which were separated and enlarged to recreate the perfect football goal. Finally, in France a collaboration with Drôle de Monsieur was launched to reinterpret the AS Monaco kit.
- K-Way® returned to the Milan Fashion Week catwalk with the R&D collection and signed a licensing contract with Bluebell Group, which launched the brand on the Hong Kong market, also thanks to the opening of its first mono-brand store in the former British colony, accompanied by a flash mob and an installation by the French artist Cyril Lancelin. Meanwhile, the South Korean licensee has opened eight new stores, while France now has 42 stores. And at the Paris Fashion Week in June, a temporary showroom was set up where the core products also from the brands Kappa®, Sebago® and Superga® and the limited edition "Not in Paris by Highsnobiety" were presented. In China, the first two monobrand stores were opened, respectively in Beijing and Shanghai, while in Japan the first flagship store was opened in Tokyo. In September, at Fashion Week, the K-Way® brand opened the Milan BasicVillage spaces for a major party and a celebratory installation created by Cyril Lancelin. In addition, collaborations were launched with the Italian brand Santini Cycling Wear, with the Korean brand LMC and with the French children's brand Bonton, in addition to a limited co-lab edition with Moleskine. K-Way® in 2022 sponsored "Artissima" for the 13th consecutive year. Finally, the maxi-poster campaign dedicated to the colourful and iconic K-Way® Le Vrai 3.0 rain jacket continued in Italy's most recognisable squares;
- in 2022, Superga® had three Global Ambassadors: the US actress and top model Emily Ratajkowski for the spring-summer 2022 campaign; Leni Klum and Iris Law for the autumn-spring collection. Meanwhile, collaborative activities with other international brands and entities have continued: ST!NG, the de Rigo Group's house brand for the younger generation; Kiss, Blush & Tell, a South African beauty blog; Milan concept store Par5 (at Milan Design Week in June 2022); the Italian brand forte_forte; the Australian fashion house Aje; the Parisian department store Le Bon Marché; the U.S. brand Something Navy; the Parisian brand Alaïa; and the Formentera concept store Es More. The second half of the year saw the first collaboration with Engineered Garments and the sponsorship of Movement, an electronic music festival held every autumn in Turin. Finally, 15 Superga® Kidswear pop-up stores were opened in Spain with Miniconf;
- Sebago® also developed a number of collaborative activities in 2022, including one with the musical duo European Vampire, for the new Outsides collection, and one with concept stores L'Exception (Paris) and La Ferramenta (Bologna). The company also agreed a capsule collection with Engineered Garments for spring-summer 2022, a collaboration with Yves Saint-Laurent and the first co-lab with the concept store Slowear. The first Sebago® store was also opened in Belgium and the first two South African monobrand stores were opened in Pretoria and Durban. Finally, Sebago® was the official sponsor of the J/70 Sailing World Championship, one of the major global competitions which in 2022 was held in the Principality of Monaco;
- Briko® created a custom helmet for newly-crowned Italian road cycling champion Filippo Zana. It also collaborated with athletes Johanna Maggy and Daniel Fontana as ambassadors for the "Briko® Road Protection" initiative, which offers one year's free insurance to anyone who buys a Briko® helmet. After two years of COVID restrictions Briko® returned to the Lione Sport-Achat International trade fair and, in the second half of the year, participated at Eurobike in Frankfurt and at the ISPO in Monaco, where the new collection Neve was presented. Finally, in November the remake of its iconic Detector sunglasses was launched, winner of the 1991 Compasso d'Oro, reinterpreted in different colors and materials.

Finally, in May 2022 Italian swimming champion Gregorio Paltrinieri (two golds at the last World Swimming Championships 2022) became the new Ambassador of the BasicNet Group's major brands for the next three years: Kappa®, Robe di Kappa®, K-Way®, Superga®, Briko® and Sebago®.

Group brand sales points

At December 31, Kappa® and Robe di Kappa® monobrand stores and shop in shops opened by licensees or managed directly by the Group globally numbered 1,016 (of which 108 in Italy), with Superga® monobrand stores and shop-in-shops totalled 261 (of which 57 in Italy), and there were 99 K-Way® sales points (of which 33 in Italy and 42 in France) and 51 Sebago® sales points (of which 2 in Italy, in Rome and Turin).

201 FINANCIAL PERFORMANCE OVERVIEW

THE GROUP

BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

<i>(Euro thousands)</i>	FY 2022	FY 2021	Changes	%
Brand aggregate sales *	1,273,087	949,397	323,690	34.1%
Royalties and sourcing commissions	72,305	54,763	17,542	32.0%
Consolidated direct sales	312,711	241,635	71,076	29.4%
EBITDA **	60,931	44,250	16,681	37.8%
EBIT **	46,111	31,620	14,491	45.8%
Group Net Profit	30,037	20,330	9,707	47.7%
Basic earnings per share**	0.5994	0.3965	0.203	51.2%

* Data not audited

** For the definition of the indicators reference should be made to paragraph 5 of this Report

Commercial and financial analysis

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

<i>(Euro thousands)</i>	FY 2022	FY 2021	Changes	
Brand aggregate sales*	Total	Total	Total	%
Commercial licensees and direct	901,988	709,616	192,372	27.1%
Productive Licensees (sourcing centers)	371,089	239,781	131,308	54.8%
Total	1,273,087	949,397	323,690	34.1%

* Data not audited

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

<i>(Euro thousands)</i>	FY 2022		FY 2021		Changes	
Aggregate Sales of Group commercial licenses and direct*	Total	%	Total	%	Total	%
Europe	612,258	67.9%	482,337	68.0%	129,921	26.9%
The Americas	114,347	12.7%	96,380	13.6%	17,967	18.6%
Asia and Oceania	71,763	8.0%	51,095	7.2%	20,668	40.5%
Middle East and Africa	103,630	11.5%	79,804	11.2%	23,826	29.9%
Total	901,998	100.0%	709,616	100.0%	192,382	27.1%

* Data not audited

and of the productive licensees:

<i>(Euro thousands)</i>	FY 2022		FY 2021		Changes	
Aggregate Sales of Group Productive licensees *	Total	%	Total	%	Total	%
Europe	28,214	7.6%	20,339	8.5%	7,875	38.7%
The Americas	32,242	8.7%	21,311	8.9%	10,931	51.3%
Asia and Oceania	303,559	81.8%	195,254	81.4%	108,305	55.5%
Middle East and Africa	7,074	1.9%	2,877	1.2%	4,197	145.9%
Total	371,089	100.0%	239,781	100.0%	131,308	54.8%

* Data not audited

Commercial licensee sales and direct of Euro 902.0 million were up 27.1%, from Euro 709.6 million in the previous year; continental level growth is commented upon in the introductory paragraphs to this Report.

The **sales of the productive licensees** (Sourcing Centers) are only made to commercial licensees or entities within the “Powered by BasicNet” scope. The production licenses issued to the Sourcing Centers, differing from those issued to the commercial licensees, do not have regional limitations, but are rather based on technical production and business competences. Product sales by the Sourcing Centers to commercial licensees are made in advance of those made by the latter to the end customer. Productive license sales grew 54.8%.

Royalties from commercial and productive licensees amounted to Euro 72.3 million (Euro 54.8 million in 2021, +32%). **Royalties** from commercial and productive licensees posted a marked increase of Euro 8.0 million compared to December 31, 2021, related to the growth of the commercial brands.

Sourcing commissions increased by Euro 9.6 million, up +58.7%, due to greater order volumes by commercial licensees.

Overall **consolidated direct sales** were Euro 312.7 million (Euro 241.6 million in 2021). The direct sales on the Italian market rose 20% on the previous year and 36% on 2020. Kappa France reported revenue growth of 9% on 2021. K-Way France’s revenues subsequent to the acquisition by the Group totalled Euro 31.9 million.

The **contribution margin** on sales increased from Euro 98 million in 2021 to Euro 124.2 million in 2022 (+26.7%), due to the increased direct sales (+29.4%) in both Italy and Europe. The margin was 39.7% (compared to 40.6% in 2021), due to the differing sales channel mix, the stronger US Dollar and across-the-board higher production costs..

Other income of Euro 8 million, compared to Euro 10.1 million in 2021. This was a decrease on the previous year, which included prior year income of Euro 1.7 million, following the completion of the Giacomelli case.

Sponsorship and media spend of Euro 35 million compares to Euro 36.2 million in the previous year. The decrease on the previous year is mainly due to the reduction in sponsorship expenses and marketing contributions (-Euro 2.9 million).

Personnel costs rose from Euro 31 million in 2021 to Euro 38.3 million in 2022, an increase of approx. Euro 7.3 million, due mainly to the reduced use of temporary lay-off schemes and similar social safety nets in the countries in which the Group operates and the increased charge due to the inclusion of the one hundred employees of K-Way France, a company acquired in 2022. In addition, at year-end an extraordinary welfare measure was adopted, modelled on the specific rules of various European countries, to offset higher living costs, equivalent to one month’s salary (Euro 1.0 million). The average number of employees in 2022 was 976.

Overhead costs, i.e. **Selling and general and administrative costs and royalties expenses**, increased from Euro 51.3 million in 2021 to Euro 70.2 million in 2022. The increase is mainly due to the higher costs for utilities and service and maintenance contracts, the acquisition of the K-Way France structure and the higher costs for the termination of commercial licenses.

EBITDA stood at Euro 60.9 million (Euro 44.2 million in 2021).

EBIT was Euro 46.1 million after amortisation and depreciation of Euro 7.9 million and the depreciation of right-of-use of Euro 7.0 million.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 2.8 million, compared to Euro 1.9 million in the previous year: The increase is as a combined effect of the strengthening of the US Dollar, together with the higher average cost of debt.

The **consolidated pre-tax profit** was Euro 43.3 million, compared to a Euro 29.7 million in 2021.

The **Net profit** amounted to Euro 30 million, after current and deferred taxes of Euro 13.3 million, up Euro 9.7 million on Euro 20.3 million in the previous year.

Segment information

The Financial Highlights by Group segment were as follows:

- **Clothing, footwear and accessories**: the marked commercial recovery enabled the Parent Company and its subsidiaries to generate net royalties and sourcing commissions of Euro 72.3 million, compared to Euro 54.8 million in the previous year, while direct sales increased to Euro 312.7 million (compared to Euro 241.6 million in 2021). In addition to the commercial development, the performance benefitted from the reduced restrictions to contain the pandemic, against the partial closure of stores in Q1 of the previous year, in addition to the inclusion in the consolidation in the period of K-Way France. The EBIT was Euro 46.1 million compared with Euro 31.6 million in 2021. Net profit in 2022 was Euro 30.3 million compared to Euro 20.4 million in 2021.
- **"Property"**: property management reported a loss of Euro 276 thousand (loss of Euro 116 thousand in 2021). In September 2022 the Milan BasicVillage was opened.

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

Balance sheet overview

The changes in the balance sheet are reported below:

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021	Changes
Property	40,930	36,537	4,393
Brands	59,095	59,027	68
Non-current assets	74,514	38,327	36,187
Right-of-use	29,911	23,119	6,792
Current assets	248,663	170,779	77,884
Total assets	453,114	327,789	125,325
Group shareholders' equity	149,146	133,822	15,324
Non-current liabilities	106,547	72,135	34,413
Current liabilities	197,420	121,832	75,587
Total liabilities and shareholders' equity	453,114	327,789	125,325

With regards to the changes in fixed assets, investments were made in the Real Estate segment (Euro 9.9 million), mainly for the restructuring of the Milan BasicVillage property complex located at the “Scalo Farini” and the purchase of the property located in Turin – Corso Regio Parco, 33 and the purchase of EDP, furniture and fittings and equipment (Euro 3.4 million). Brands increased as a result of the capitalisation of costs incurred for the registration of trademarks in new countries and for renewals and extensions, net of amortisation for the period. Investments were also made for the development of computer programs (Euro 2.5 million). The increase in non-current assets also includes the goodwill from the initial consolidation of K-Way France (Euro 24.5 million) and the key money contributed by the French company (Euro 5.5 million).

For further details, reference should be made to Note 8 on the balance sheet impact of the inclusion of K-Way France in the consolidation scope.

Group shareholders' equity went from Euro 133.8 million in 2021 to Euro 149.2 million in 2022

Financial position

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021	Changes
Net bank financial position – Short-term	(41,862)	(2,918)	(38,944)
Financial payables – Medium-term	(51,756)	(34,268)	(17,488)
Finance leases	(259)	(515)	256
Net financial position with banks	(93,876)	(37,702)	(56,1748)
Payables for exercise future share acquisitions	(17,081)	-	(17,081)
Payables for rights-of-use	(30,734)	(24,041)	(6,693)
Total net financial position	(141,691)	(61,743)	(79,948)
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.95	0.46	0.49

Net financial position with banks went from net debt of Euro 37.7 million at December 31, 2021, to Euro 93.9 million at December 31, 2022. Dividends of Euro 6.1 million were distributed in 2022 following the significant commercial growth and treasury shares acquired for Euro 6.5 million. The Group also acquired for Euro 36.9 million full ownership of the company K-Way France and invested Euro 9.9 million in the Real Estate sector.

Earnout payables include the best estimate of the variable price component due to the former shareholders of K-Way France, which will be defined on the basis of the subsidiary's performance over the three-year period 2023-25. For further information, please refer to Note 8 on the analysis of the effects of the acquisition of K-Way France on the Group's net financial position.

Right-of-use payables rose approx. Euro 6.7 million compared to 2021, due to new shop openings and the renewal of expired or maturing lease contracts, and for the new stores included in the scope, with the acquisition of the company K-Way France.

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

The Parent Company condensed income statement for 2022 compared to the previous year is reported below:

<i>(Euro thousands)</i>	FY 2022	FY 2021	Changes	%
Royalties and sourcing commissions	24,052	30,131	(6,079)	(20.2%)
Direct sales and other income	14,465	9,788	4,677	47.8%
EBITDA *	8,236	10,229	(1,993)	(19.5%)
EBIT *	3,862	5,962	(2,101)	(35.2%)
Dividends from subsidiaries	7,000	-	7,000	100.0%
Transfer gains	-	60,903	(60,903)	(100.0%)
Net Profit	11,155	65,689	(54,534)	(83.0%)

* For the definition of the indicators reference should be made to paragraph 5 of this Report

The operating highlights of the parent company follow:

- **royalties and sourcing commissions** amounted to Euro 24.0 million, decreasing 20.2% on 2021, due to the absence from July 1 of royalties and sourcing commissions with regards to the Kappa, Robe di Kappa and Briko brands, whose business unit, as previously outlined, was transferred to the company BasicTrademark S.r.l. (subsequently renamed Kappa S.r.l.).
- **direct sales and other income** amounted to Euro 14.5 million (Euro 9.8 million in the previous year). Other income principally refers to payments for intercompany assistance services charged to the subsidiaries.

EBIT amounted to Euro 3.9 million (Euro 6 million in 2021), following amortisation and depreciation of approx. Euro 2.6 million and depreciation of right-of-use for Euro 1.8 million.

In 2021, BasicNet transferred the business unit encompassing the K-Way brand, related licensing agreements, samples inventory, moulds, and associated computer equipment and employees to the subsidiary of the same name, K-Way S.p.A. The difference between the transfer value and the net book value of the business unit resulted in the recognition of financial income of Euro 60.9 million.

The **net profit** was Euro 11.2 million, after income taxes of Euro 0.4 million (Euro 4.8 million in 2021, net of non-recurring financial income of Euro 60.9 million from the transfer of the "K-Way" business unit to K-Way S.p.A.).

Balance sheet overview

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021	Changes
Non-current assets	7,498	8,286	(789)
Brands	102	10	92
Right-of-use	7,072	8,419	(1,347)
Investments	112,250	105,855	6,395
Current assets	55,568	82,901	(27,333)
Total assets	182,490	205,471	(22,981)
Shareholders' Equity	146,820	147,948	(1,128)
Non-current liabilities	13,860	22,616	(8,756)
Current liabilities	21,811	34,907	(13,097)
Total liabilities and shareholders' equity	182,490	205,471	(22,981)

Non-current assets include investments in the year mainly for software development of Euro 1.9 million, EDP of Euro 0.5 million and fixtures and fittings and other assets of Euro 0.7 million. The value of tangible and intangible assets are recorded net of amortisation and depreciation for the year of Euro 2.6 million.

Rights-of-use include the value of the property lease contracts for the company's offices, owned by the subsidiary BasicVillage S.p.A., for future years, recognised in 2019 in application of IFRS 16.

Equity investments, including the carrying amount of the equity investments directly held by the parent company, increased due to the recapitalisation of BasicItalia S.p.A. and the conferments to the subsidiaries Kappa S.r.l., Superga S.r.l. and Sebago S.r.l.

Shareholders' Equity at December 31, 2022 was approx. Euro 146.8 million (Euro 147.9 million in 2021), following the distribution in 2022 of dividends for Euro 6.1 million and the acquisition of treasury shares for Euro 6.5 million.

Financial position

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021	Changes
Net financial position – Short-term	(4,089)	(11,403)	7,314
Financial payables – Medium-term	(5,406)	(10,656)	5,250
Finance leases	(66)	(120)	54
Net financial position with banks	(9,561)	(22,179)	12,618
Group financial receivables/(payables)	36,349	57,372	(21,023)
Payables for rights-of-use	(7,124)	(8,441)	1,317
Financial position with the Group	29,225	48,931	(19,706)
Total net financial position	19,664	26,752	(7,088)

The **net cash position** of Euro 19.7 million compares to Euro 26.8 million in 2021.

RECONCILIATION BETWEEN CONSOLIDATED NET PROFIT AND PARENT COMPANY NET PROFIT

The reconciliation at December 31, 2022 between the Parent Company net equity and result and the consolidated net equity and result is reported below.

<i>(Euro thousands)</i>	Net Profit	Shareholders' Equity
Financial statements of BasicNet S.p.A.	11,155	146,819
Result and net equity of the consolidated companies and value at equity	25,882	2,328
Elimination of the dividends received by the Parent Company	(7,000)	-
Group consolidated financial statements	30,037	149,146

THE BASICNET SHARE PRICE

On May 30, 2022, the Extraordinary Shareholders' Meeting of the company approved the elimination from Article 5 of the By-Laws - Share Capital - the reference to the nominal value of the shares, to cancel 6,993,602 treasury shares with no nominal value held by the Company, maintaining the amount of share capital unchanged. Consequently, the Share Capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and comprises 54,000,000 ordinary shares, without nominal value and listed on the Euronext Milan (EXM).

The key stock market figures for the years 2022 and 2021 are reported in the following table:

<i>(in Euro)</i>	December 31, 2022	December 31, 2021
Earnings/(loss) per share	0.5994	0.3965
Dividend per share ⁽¹⁾	0.18	0.12
Pay-out ratio ^{(1) (2)}	30.0%	30.2%
Dividend Yield ^{(1) (3)}	3.4%	2.1%
Price at year-end	5.31	5.75
Maximum price in year	6.69	6.04
Minimum price in year	4.53	3.89
Stock market capitalization (in thousands of Euro)	286,740	350,713
Total number of shares	54,000,000	60,993,602
Shares outstanding	50,112,500	51,275,602

(1) dividends on the 2022 figures on the basis of the proposal for the allocation of the result to the Shareholders' AGM

(2) percentage of consolidated net profit distributed as dividend

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

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

Shareholder	% of ordinary & voting share capital	Note
Marco Boglione	37.996%	Owned indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l. (37.419%) and the remaining 0.577% directly.
BasicNet S.p.A.	7.255%	Treasury shares in portfolio.
Helikon Investments Limited	11.546%	Held by way of discretionary asset management. The company in addition holds "cash settled equity swaps" financial instruments on BasicNet shares equal to 1.672%.
Francesco Boglione	7.088%	Held indirectly through Francesco Boglione S.r.l. for 1.941%, with the residual 5.147% held directly.
Tamburi Investment Partners S.p.A.	5.128%	

PRINCIPAL RISKS AND UNCERTAINTIES

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

Strategic risks

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

Risks associated with economic conditions

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

2022 featured Russia's invasion of Ukraine and the consequent international tensions. The conflict to-date has not had significant direct impacts on the Group's operations. The Group companies do not purchase products from the areas affected by the conflict and outstanding transactions with the two countries have been settled on schedule.

Risks related to the pandemic

The spread of COVID-19 generated an unprecedented emergency on a global scale, with major health, social, and economic repercussions. Amid significant uncertainty, the Group promptly dealt with the emergency, introducing all protective measures to safeguard the health of employees and business continuity and will maintain the level of attention necessary to act promptly amid any new pandemic outbreaks.

Licensee network operating risks

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

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

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

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

Risks related to BasicNet Group production

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

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

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

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

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

Currency risk

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

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

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

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

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

Credit risk

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

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

Sourcing commission receivables are covered by the payables of the subsidiaries Kappa S.r.l., K-Way S.p.A., BasicItalia S.p.A., Kappa France S.a.s. and K-Way France S.a.s. to the Sourcing Centers.

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

Liquidity risk

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

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

Interest rate risk

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

Risks relating to legal and tax disputes

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

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

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

Tax disputes

End-of-mandate prov. deductibility

In the initial months of 2018, a tax dispute with the Tax Agency began, following the inspection by the Finance Police for the years 2012 to 2017 at BasicNet S.p.A.. In the tax assessment, the Agency alleges the partial non-deductibility of the Post-employment benefit provision accrual made for the Executive Boards for the years 2012 to 2015, on the basis of an interpretation of the rules governing Post-employment benefits for employees, in the total absence of specific tax rules. The Tax Agency is claiming approx. Euro 360 thousand for IRES, in addition to penalties and interest. Not agreeing with the Tax Agency's interpretation and noting also favourable jurisprudence in similar cases, the Company presented an appeal for all of the years subject to assessment. In March 2019, the Turin Provincial Tax Commission heard the appeal presented by BasicNet. The Tax Agency has appealed against the Tax Commission's decision. The hearing before the Regional Tax Commission held in September 2020 confirmed the Turin Provincial Tax Commission's verdict, finding in favour of BasicNet.

In April 2021, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. In February 2023, Section VI referred the case to Section V of the Supreme Court.

Alleged tax inversion Basic Properties America

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered and administration office in New York-USA, following checks on BasicNet by the Finance Police in 2017, on the basis of the alleged tax inversion claimed by the latter against the US subsidiary. The assessments initially concern financial years 2011, 2012 and 2013, alleging tax evasion in Italy for approx. Euro 3.6 million, in addition to interest and penalties. Tax assessments were also received by BasicTrademark S.A. and SupergaTrademark S.A. for the alleged evasion of VAT for approx. Euro 1 million, on the basis that the royalties paid by Basic Properties America, Inc., for tax purposes considered an Italian company, to these two companies should have been subject to VAT. In July 2019, similar tax assessments for financial year 2014 were received, with claims for additional taxes of approx. Euro 0.3 million and for VAT for approx. Euro 0.1 million.

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

In June 2020, the Tax Agency appealed against the Provincial Tax Commission's decision. In February 2023, the Piedmont Second Instance Tax Court rejected the Tax Agency's grounds of appeal, upholding the first instance decision favorable to the Group.

In May and June 2021, assessment notices relating to 2015 were received, with further demands of approx. Euro 0.2 million for direct taxes and Euro 0.3 million for VAT: the companies prepared their respective appeals, as well as the requests for provisional suspension of the effects. Nonetheless, the collections unit of the tax administration took charge of the amounts demanded, issuing payment demands equal to one-third of the respective assessment notices. In January 2023, the Turin First Instance Tax Court upheld the appeals filed by the Group Companies.

In October 2022, assessment notices relating to 2016 were received, with further demands of approx. Euro 0.4 million for direct taxes and Euro 0.3 million for VAT: the companies prepared their respective appeals, as well as the requests for provisional suspension of the effects. In late February, the Turin First Instance Tax Court suspended the execution of the challenged acts and set a hearing on the merits for June 2023.

The defense panel shall proceed in the process with the relevant offices for each year and level of judgement.

Commercial disputes

FISI pre-emption right

BasicItalia S.p.A. has exercised, on June 3, 2021, its pre-emption right, under the agreement concluding on April 30, 2022, to enter into a new sponsorship contract for the Italian Winter Sports Federation through the Kappa brand for the four-year period 2022-26, which includes the Milan Cortina 2026 Olympics. Nevertheless, FISI considered that the exercise of the pre-emption right by BasicItalia S.p.A was not sufficient to conclude a contract and informed the BasicNet Group of its intention to sign a sponsorship agreement with a third party.

Pending the outcome of the related lawsuit, the BasicNet Group filed an application for a precautionary order with the Court of Milan. On July 14, 2022, the collegial Court upheld the complaint brought by the BasicNet Group, finding its reasoning to be justified. The resulting precautionary order recognises a blatant violation of the pre-emption agreement by FISI and orders the Federation to refrain from concluding new contracts with suppliers other than the BasicNet Group until 2026. Nevertheless, FISI totally disregarded the protective order.

The judgment in the case on the merits, issued on February 23, 2023, confirms this protective order and the position of BasicItalia S.p.A., namely that from the moment of BasicItalia S.p.A.'s acceptance of the conditions offered by FISI, and thus from June 3, 2021, a new sponsorship contract was concluded between BasicItalia S.p.A. and FISI for the 2022/23 seasons until the 2025/26 season, also recognising a right of first refusal in favour of Basic Italia S.p.A. for the following four-year period.

As a result, the court ordered FISI to fulfill its contractual obligations, prohibiting FISI from entering into supply and sponsorship contracts with third parties other than BasicItalia S.p.A. and from using in its competitive activities clothing items with trademarks other than those indicated in the contract between BasicItalia S.p.A. and FISI. Regarding damages, the Court ruled that the damage resulting from FISI's breach of duty can only be fully assessed and quantified following the last competitive season until at least 2025/2026.

OTHER INFORMATION

HUMAN RESOURCES AND THE ENVIRONMENT

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

TREASURY SHARES

On the basis of the treasury share buyback programmes, respectively authorised by the Shareholders' Meeting of April 13, 2022 (revoked by the Shareholders' Meeting of May 30, 2022) and by the Shareholders' Meeting of May 30, 2022, valid until the Shareholders' Meeting for the approval of the financial statements at December 31, 2022, at the date of this Report, 731,102 shares (equal to 1.35% of the Share Capital) had been purchased, at an average price of Euro 5.63 for a total payment of Euro 4,115,325.

BasicNet today holds a total of 3,917,500 treasury shares (equal to 7.255% of the Share Capital), for an investment of over Euro 14 million. The Group intends to continue the share buy-back programme in 2023 and proposes to the Shareholders' AGM to renew the authorisation. The proposal is submitted in order to provide the Company with a instrument to assist projects developed upon the strategic guidelines under which share swap opportunities are presented or as a guarantee for financing operations.

STOCK OPTION PLANS

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

OPT-OUT REGIMES

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

SHARES HELD BY DIRECTORS AND STATUTORY AUDITORS

The shares held by the Directors and Statutory Auditors are reported in the Remuneration Report, available together with the documentation for the 2022 Shareholders' AGM on the website www.basicnet.com, to which reference should be made.

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

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

The information on transactions with related parties are presented in Note 51 of the consolidated financial statements.

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

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

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

The Board of Directors approved on October 29, 2010 and updated most recently in June 2021 the procedure for transactions with related parties, which are summarised in the Corporate Governance and Ownership Report. The procedure is also available in its full version on the Group website (www.basicnet.com in the section "BasicNet Corporate Governance").

Governance of subsidiaries outside of the European Union

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

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

The composition of the Board of Directors of the companies is available on the website www.basicnet.com/ilgruppo/organisociali.

RESEARCH AND DEVELOPMENT

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

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

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

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

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

Creating garment models and designs

This category includes product research aimed at developing collections of athletic and casual apparel and footwear, from material research to the styling and graphical design of garments, the identification of specific production techniques and the creation of garment prototypes and samples, with a focus on environmental sustainability in materials and processing research. K-Way, Kappa, Superga, Briko and Sebago develop models and designs for all of the Group's brands with the goal of marketing products that provide high added value and are strongly appreciated by consumers for their aesthetic qualities, such as their colour, materials and shape. Designs and models are validated through prototyping (in some cases involving the use of 3D printers), which allows designs to be shared with licensees and Sourcing Centers, often – and most importantly – before actual production begins. In particular, concepts are created, basic designs are prepared and prototypes are produced for all unique, individual designs and models. Early designs form a "meta-collection" which then becomes a "mega-collection" (a set of approved articles) on the basis of feedback from the various licensees. The "mega-collection" is then made available on the online platform for the purchase of samples by the licensees. The selection of articles purchased makes up the "collection" distributed to the market.

New software development

This category includes IT research in terms of the development of proprietary information systems connecting the companies of the BasicNet Network licensees both to each other and externally.

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

- Software and applications used in business management i.e. vertical IT solutions for various company functions that can be automated and/or monitored within a business, thus allowing users to operate in a uniform, integrated environment;
- E-commerce software and applications, i.e. highly innovative business solutions that meet a wide range of needs in terms of multichannel interface and marketing;

- Web-integration software and applications, which are innovative platforms to manage information exchange within the network and to connect with the licensee and sourcing systems.

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

Brand exploitation and sponsorship

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

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

SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK

Outlook

On the basis of the order portfolio and forecast royalties and sourcing commissions, consolidated revenues are expected to grow further in the current financial year. Core operating results however remain contingent on the evolving global general economic and geopolitical environment.

* * *

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

Dear Shareholders,

We highlight the following:

MOTION

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2022 results, the Directors' Report and having noted the Board of Statutory Auditors' Report and that of the Independent Audit Firm EY S.p.A.,

RESOLVES

to approve the Directors' Report and the Financial Statements at December 31, 2022, in relation to each individual part and in its entirety.

PROPOSAL FOR THE ALLOCATION OF NET PROFIT FOR THE YEAR 2022 AND DIVIDEND DISTRIBUTION. RESOLUTIONS THEREON.

Dear Shareholders,

We propose the allocation of the net profit of Euro 11,155,496.19 as follows:

- | | | |
|---|------|--------------|
| ▪ to each of the 50,082,500 ordinary shares in circulation (excluding the 3,917,500 treasury shares held at March 9, 2023), a dividend of Euro 0.18 before withholding taxes for an amount of | Euro | 9,014,850.00 |
| ▪ to retained earnings the residual amount, equal to | Euro | 2,140,646.19 |

The dividend will be paid from April 26, 2023, with record date of April 25, 2023 and coupon date (No. 16) of April 24, 2023.

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

We propose therefore the following:

MOTION

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

RESOLVES

to approve the proposed allocation of the net profit for the year of Euro 11,155,496.19, as presented above, and the proposed payment of a dividend of Euro 0.18 to each of the ordinary shares in circulation and entitled to receive dividends on the coupon date.

Turin, March 9, 2023

for the Board of Directors

The Chairperson

Marco Daniele Boglione

CORPORATE GOVERNANCE REPORT

Introduction

Pursuant to Article 123-*bis* of Legislative Decree No. 58/1998 (Legislative Decree No. 58/1998, hereinafter "CFA"), listed companies are required to annually issue a "Corporate Governance and Ownership Structure Report" which includes information on voluntary compliance to a code of conduct promoted by regulated market management companies or trade associations, giving reasons for any failure to comply to one or more provisions. In this report, listed companies must in any case indicate the corporate governance practices "effectively applied by the company beyond its obligations under laws or regulations."

Article 89-*bis* of the Consob Issuers' Regulation issued by Resolution No. 11971 of 1999 (as amended) on issuers (hereafter the "Consob Issuers' Regulation"), in regulating the above obligation, stipulates that listed companies that have not complied with or intend not to continue to comply with codes of conduct must disclose such in a report to be published annually, including on the company's website, together with the Directors' Report.

BasicNet has its own governance model, which is constantly updated in relation to changes in the regulations on listed companies. In addition, since the listing BasicNet has always complied with the Self-Governance Code promoted by Borsa Italiana and, in line with EU Recommendation No. 208/2014 and as provided in Paragraph IV of the "Guiding Principles" of the Corporate Governance Code, has always provided evidence and explanation, in the Annual Report made available to the Market, where any principles or application criteria have been disregarded.

BasicNet decided not to continue compliance with the Corporate Governance Code, except to the extent that its recommendations correspond to those introduced by the legislation in force for listed companies, i.e. the Civil Code, the Consolidated Finance Act and the related regulations issued by Consob, Borsa Italiana and the applicable European Regulations.

The Company, having assessed how its corporate governance model, which has been gradually introduced following the entry into force of new rules, has always ensured full transparency and fairness in conducting business, in addition to a balanced and effective system of controls and risk monitoring, considering certain provisions of the Code, to effectively form, with regard to the size and composition of the shareholder base, an overarching structure in terms of compliance obliging the company to repeat the same explanations. However, the recommendations of the Corporate Governance Code will be followed where deemed useful and appropriate for the Governance of the Company.

For ease of reading, the format suggested by Borsa Italiana to issuing companies in its latest edition of January 2022 was followed in drafting this Report, with appropriate adaptations to BasicNet S.p.A.'s corporate governance model.

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 licencees, Investors, Shareholders and the Financial Community, the PA, 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®.

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.

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: <https://www.consob.it/web/area-pubblica/emittenti-quotati-pmi>.

Average market capitalisation in 2022 was Euro 338.8 million, 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 9, 2023 (as per Article 123-bis, paragraph 1, of the CFA)

a) Share capital structure (as per Article 123-bis, paragraph 1, letter a), CFA)

On May 30, 2022, the Extraordinary Shareholders' Meeting of the company approved the elimination from Article 5 of the By-Laws - Share Capital - the reference to the nominal value of the shares, to cancel 6,993,602 treasury shares with no nominal value held by the Company, maintaining the amount of share capital unchanged. Consequently, the Share Capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and comprises 54,000,000 ordinary shares listed on the Euronext Milan (EXM).

At the date of this Report, the Company holds 3,917,500 treasury shares, equal to 7.25% 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 result in an increase, including through scrip issues, of the share capital.

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

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

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

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

Shareholder	% of ordinary & voting share capital	Note
Marco Boglione	37.996%	Owned indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l. (37.419%) and the remaining 0.577% directly.
BasicNet S.p.A.	7.255%	Treasury shares in portfolio.
Helikon Investments Limited	11.546%	Held by way of discretionary asset management. The company in addition holds "cash settled equity swaps" financial instruments on BasicNet shares equal to 1.672%.
Francesco Boglione	7.088%	Held indirectly through Francesco Boglione S.r.l. for 1.941%, with the residual 5.147% held directly.
Tamburi Investment Partners S.p.A	5.128%	

d) Shares which confer special rights (as per 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 enrollment 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 list of Shareholders included in the special register for entitlement to increased voting rights (Article 127-quinquies, paragraph 2, of the CFA) with a holding in excess of 5% of BasicNet S.p.A.'s share capital is available on the company website at <http://www.basicnet.com/contenuti/corporate/votoMaggiorato.asp?menuSelectedID=2h>

e) Employee participation rights: method of exercise of voting rights (as per Article 123-bis, paragraph 1, letter e), CFA)

There is no share participation programme for employees.

f) Voting restrictions (as per article 123-bis, paragraph 1, letter f), CFA)

There are no restrictions on voting rights. The issuer has exclusively issued ordinary shares; each share provides one vote (Article 6 of the By-Laws). Article 21 of the By-Laws excludes the right to withdrawal with regards to motions concerning the extension of the company's duration or the introduction or the removal of restrictions on the circulation of equities.

g) Shareholder agreements (as per article 123-bis, paragraph 1, letter g), CFA)

At the date of the present Report, there are no agreements between Shareholders.

- h) Change of control clause (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 (as per Article 123-bis, paragraph 1, letter m), CFA)

Powers to increase the Share Capital

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

Authorisation of share buy-back plan

The Shareholders' Meeting of May 30, 2022 authorised the Board of Directors to purchase, on one or more occasions, a maximum number of ordinary shares, taking account of those already held by the Company, not exceeding the legal limits, for a period beginning from the date of the Shareholders' Meeting until the date of the Shareholders' Meeting called to approve the 2022 Annual Accounts. On the basis of this authorisation, the Board of Directors initiated a similar plan concerning a maximum number of treasury shares equal to 20% of the share capital, for a maximum amount of Euro 30 million, in compliance with all legal limits and taking account of the treasury shares already in portfolio.

On the basis of the treasury share buyback programmes, respectively authorised by the Shareholders' Meeting of April 13, 2022 (revoked by the Shareholders' Meeting of May 30, 2022) and by the Shareholders' Meeting of May 30, 2022, valid until the Shareholders' Meeting for the approval of the financial statements at December 31, 2022, at the date of this Report, 731,102 shares (equal to 1.35% of the Share Capital) had been purchased, at an average price of Euro 5.63 for a total payment of Euro 4,115,325.

BasicNet today holds a total of 3,917,500 treasury shares (equal to 7.25% of the Share Capital), for an investment of over Euro 14 million.

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

BasicNet S.p.A. is not subject to management and coordination pursuant to Article 2497 and thereafter of the Civil Code and has full authority to implement its general and operating strategies.

In particular, neither BasicWorld S.r.l., which holds 37.419% of the company's shares, nor Marco Boglione e Figli S.r.l., which holds the entire share capital of BasicWorld S.r.l., exercise management and coordination over the Company, as: (i) they do not issue directives to their subsidiary, and (ii) there is neither in contractually defined form nor through organisational procedures any rule that limits BasicNet S.p.A.'s decision-making autonomy;

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. This activity involves oversight of the general strategic directives and in the definition and amendment of guidelines for the Internal Governance and Control model.

The parent company BasicNet S.p.A. undertakes the “Powered by” activities serving the subsidiaries.

These “Powered by” activities mainly include:

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

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;
- 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.

As reported in the Introduction, BasicNet decided not to continue compliance with the Corporate Governance Code, except to the extent that its recommendations correspond to those introduced by the legislation in force for listed companies, i.e. the Civil Code, the Consolidated Finance Act and the related regulations issued by Consob, Borsa Italiana and the applicable European Regulations. The Company, having assessed how its corporate governance model, which has been gradually introduced following the entry into force of new rules, has always ensured full transparency and fairness in conducting business, in addition to a balanced and effective system of controls and risk monitoring, considering certain provisions of the Code to effectively form an overarching structure with regard to the size and composition of the shareholder base, obliging the company to repeat the same explanations. However, the recommendations of the Corporate Governance Code will be followed where deemed useful and appropriate for the Governance of the Company.

Information on the corporate governance of BasicNet S.p.A. is available on the Company's website at 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:

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

For ease of reading, the format suggested by Borsa Italiana to issuing companies in its latest edition of January 2022 was followed in drafting this Report, with appropriate adaptations to BasicNet S.p.A.'s corporate governance model.

The “Group” subsection, on the other hand, publishes the following information: significant shareholders, Group structure, composition of the corporate boards, Group activities, and the video presentation.

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. 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 executive boards, 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.

A corporate reorganisation project was launched in 2022 which, in order to allow a better focus on the individual brands, brought all the company's owning the individual brands under the direct control of the parent company BasicNet. The project, which did not involve a change in the Group's ownership structure, nor to its equity structure, shall continue in 2023 with the goal of bringing the management of the commercial activities within the [brand] companies and the retail activities under the control of each [brand] through the [brand] retail companies.

In view of that outlined above, the following companies are considered as "strategically significant" subsidiaries: Kappa S.r.l. (previously BasicTrademark S.r.l.), owner of the Kappa®, Robe di Kappa® and Briko® brands, K-way S.p.A., Superga S.r.l., Sebago S.r.l. (previously Tos S.r.l.), owner of the Brands of the same name and BasicVillage S.p.A., engaged in the management of the Group's properties.

The Board on March 9, 2023 confirmed the adequacy of the organisational, administrative and accounting structure of the company and its "strategically significant" subsidiaries, prepared by the Chief Executive Officers, with particular regard to the control and risks system and the general operating performance.

In expressing its opinion, the Board relies not only on the quarterly information received from the executive officers at the Board meetings, but also on the reports issued at the meetings to approve the draft annual and half-year financial report and by the Control and Risks and Related Parties Committee which reports on the activities carried out, in addition to an assessment regarding the adequacy of the Internal Control and Risk Management System.

Risk assessment is carried out on the basis of a document containing the model for identifying the nature and risk compatible with the Company's strategic objectives, prepared by the Internal Audit Manager.

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

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 legislative and 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 2023, as in previous years, this percentage was set at 4.5% (Consob Executive Resolution No. 76 of January 30, 2023);

- 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 13, 2022 and its mandate concludes with the approval of the 2024 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	Member	Year of birth	Date 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	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Non-Executive Vice-Chairperson	Alessandro Boglione	1988	2019	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Non-Executive Vice-Chairperson	Lorenzo Boglione	1986	2019	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Chief Executive Officer	Federico Trono	1973	2019	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Director	Maria Boglione	2003	2022	13/04/2022	Approval 2024 Accs.	M						5/6
Director	Veerle Bouckaert	1966	2019	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Non-Executive Independent Director, member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	Piera Braja	1964	2022	13/04/2022	Approval 2024 Accs.	M		X	X	X	2	6/6
Director	Paola Bruschi	1967	2007	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Non-Executive Independent Director, member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	Francesco Calvo	1977	2022	13/04/2022	Approval 2024 Accs.	m		X	X	X	-	5/6
Non-Executive Independent Director, member of the Control and Risks and Related Parties Committee	Cristiano Fiorio	1972	2019	13/04/2022	Approval 2024 Accs.	M		X	X	X	-	9/9
Director	Monica Gamberoni	1968	2022	13/04/2022	Approval 2024 Accs.	M	X				-	6/6
Director	Francesco Genovese	1988	2019	13/04/2022	Approval 2024 Accs.	M	X				-	9/9
Director and member of the Remuneration Committee	Daniela Ovazza	1956	1999	13/04/2022	Approval 2024 Accs.	M		X			-	9/9
Non-Executive Director Chairperson of the Remuneration Committee	Carlo Pavesio	1956	1999	13/04/2022	Approval 2024 Accs.	M		X			1	9/9

(*) 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. For the new directors the number of meetings is from April 13, 2022.

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.

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

Diversity policies

The Company has not adopted specific diversity policies in relation to the composition of the management and control bodies with respect to such aspects as age, gender, educational and professional background, as the statutory and regulatory provisions and the provisions of the by-laws guarantee a sufficiently high level of diversity profiles, and as the slates submitted by Minority and Majority Slates have always featured a broad range of profiles.

Regarding the seniority of the Board of Directors members: one member is under 30 years, 6 members are between 30 and 50 years, and 7 members are over 50 years.

The management of the corporate organisation, as also stipulated in the Group's Ethics Code, focuses on ensuring equal opportunities and guaranteeing the professional growth of each individual. There is no difference in treatment relating to gender (considering equivalent roles and seniority) or in the composition of the Group's workforce (961 personnel, 602 women, 359 men) .

Maximum number of offices held in other companies

The Board of Directors does not consider it necessary to limit the maximum number of offices which each Director may hold, also in view of the consistently high and fruitful participation of all members at meetings of the Board of Directors.

Induction Programme

The Directors, in practice, have the facility to participate in meetings subsequent to their appointment and during their mandate with the 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 (as per 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 five 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 nine times in 2022.

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 above-stated deadline for Board meetings was generally met ahead of schedule in 2022.

As mentioned above, the Board held nine meetings in 2022, lasting an average of two hours each.

In January 2023, the Company published its financial calendar, which established the days for the five Board meetings for 2023, for the review of the preliminary results, the approval of the 2023 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. Typically on the same day, a conference call is scheduled during which the Chief Executive Officer explains the data approved by the BoD.

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

On February 10, 2023, the first meeting was held to examine the preliminary 2022 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 (generally the Corporate Affairs manager) 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' AGM of April 13, 2022 confirmed Marco Boglione as the Executive Chairperson of the Board of Directors. On the same date, the Board of Directors appointed Lorenzo Boglione - Executive Vice-Chairperson, Alessandro Boglione - Executive Vice-Chairperson, and Federico Trono - 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 13, 2022 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 Vice Chairpersons Lorenzo Boglione and Alessandro Boglione and to the Chief Executive Officer, Federico Trono, severally, 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 (also Chairperson of the Board of Directors of K-Way S.p.A. and Jesus Jeans S.r.l. and Director of BasicItalia S.p.A.), the following are Executive Directors: Vice-Chairperson and Chief Executive Officer Alessandro Boglione (also Chief Executive Officer of BasicItalia S.p.A., K-Way S.p.A. and Superga S.r.l., Chairperson of the Board of Directors of Kappa S.r.l. (formerly BasicTrademark S.r.l.), Sebago S.r.l., Kappa France S.a.s., K-Way Retail S.r.l., K-Way Retail Suisse S.A., , BasicRetail S.r.l., BasicNet Asia Ltd. and member of the Strategic Committee of K-Way France S.a.s.), Vice-Chairperson and Chief Executive Officer Lorenzo Boglione (also Chief Executive Officer of K-Way S.p.A. and Sebago S.r.l., Chief Executive Officer of Kappa S.r.l. (formerly BasicTrademark S.r.l.) and Fashion S.r.l., Chairperson of the Board of Directors of BasicAir S.r.l. and Superga S.r.l., Vice-Chairperson for Business Development of Basic Properties America Inc. and member of the Strategic Committee of K-Way France S.a.s.), Chief Executive Officer, Federico Trono (also Director of BasicItalia S.p.A., , BasicNet Asia Ltd, Executive Director of Kappa S.r.l. (formerly BasicTrademark S.r.l.), K-Way S.p.A., Sebago S.r.l. and Superga S.r.l., Director of Fashion S.r.l. and Jesus Jeans S.r.l., Sole Director of KappaRetail S.r.l., member of the Strategic Committee of K-Way France S.a.s.), Director Paola Bruschi, CFO of the Group (also Executive Director of K-Way S.p.A. and Superga S.r.l.)

Veerle Bouckaert, Head of Legal Affairs (also Executive Director of Kappa S.r.l. (formerly BasicTrademarkS.r.l.), Sebago S.r.l., and Superga S.r.l.) and Francesco Genovese, Head of Organisation, are also Executive Directors.

4.7. INDEPENDENT DIRECTORS

The Board of Directors includes three Independent Directors: Piera Braja, Francesco Calvo and Cristiano Fiorio.

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 Corporate Governance Code.

The Board of Directors meeting of March 9, 2023 assessed, on the basis of their declarations, the independence of these Directors.

As stated in the report to the Shareholders' AGM called for the approval of 2022 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.

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 19, 2018, incorporating the Guidelines upon the management of inside information published by Consob in October 2017.

This procedure contains the regulations for the internal management and external communication of confidential documents and 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.

In 2022, 40 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 13, 2022 appointed the Remuneration Committee and the Internal Control and Risks Committee, which continued to act also as the Related Party Transactions Committee.

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 related parties) Committee		Remuneration Committee	
Office/Category	Members	(*)	(**)	(*)	(**)
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office from April 13, 2022)	Piera Braja	4/4	C	1/1	M
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office from April 13, 2022)	Francesco Calvo	4/4	M	1/1	M
Independent Non-Executive Director as per CFA and Corporate Governance Code (reconfirmed by BoD on April 13, 2022)	Cristiano Fiorio	6/7	M		
Non-Independent Non-Executive Director (reconfirmed by BoD on April 13, 2022)	Daniela Ovazza			3/3	M
Non-Independent Executive Director (reconfirmed by BoD on April 13, 2022)	Carlo Pavesio			3/3	C
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office until April 13, 2022)	Renate Hendlmeier	3/3	C	2/2	M
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office until April 13, 2022)	Elisa Corgi	3/3	M	2/2	M
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office until April 13, 2022)	Adriano Marconetto	3/3	M	2/2	M
Number of meetings held in the year:		7		3	

KEY

Office: Office within the Board of Directors.

(*) This column indicates the attendance of the Director in relation to the Committee meetings (indicates the number of meetings attended compared to the total number of meetings for the duration of the appointment.).

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

7. SELF-ASSESSMENT AND SUCCESSION OF DIRECTORS - NOMINATION COMMITTEE

The Board of Directors considers that the choice of appropriate professionals to sit on the Board of Directors is the duty of the shareholders - both minority and majority - on the basis of the slates presented.

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 9, 2023, the Board approved the Report, which is available on the company website, together with the Shareholders' Meeting documentation, at www.basiconet.com/contenuti/datiFinanziari/assembleeazionisti.asp

The Group recognises the central importance of human resources, in the firm belief that the principal factor determining the success of the business is the individual acting in an environment which supports professional and human growth. In this context, 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 to pursue the long-term interest and sustainability of the Company.

Employees and collaborators are offered opportunities for growth based on merit, professional skills and participation in the company's development processes, including through an automatic, scheduled system that allows periodic performance evaluation and position review.

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. Working activities are carried out at the BasicVillage, designed to put the person at the centre, who can enjoy a series of services and recreational spaces.

Additional information about BasicNet's policies regarding the management of social and Human Resources-related issues can be found in the Consolidated Non-Financial Statement, included in the Directors' Report, published at www.basiconet.com, Financial data/Financial Statements section.

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 comprises:

- a fixed remuneration, commensurate with responsibilities and deemed appropriate to remunerate the skills, experience and commitment associated with the position held by each Director/Senior Executive. The fixed component is adequate to remunerate the performance of the Director with delegated powers/Senior Executive in line with the responsibilities of his/her office. These fixed fees have been updated to reflect the increased powers and responsibilities of certain Directors within the Group;
- subject to the absence of any variable remuneration components in the Group remuneration contractual structure, the Board of Directors, on the proposal of the Chairperson, after consultation with the Remuneration Committee and the Related Parties Committee, reserves the right to establish an additional one-off bonus, based on particular results achieved for the sustainable success of the business, or for retention purposes.

For the purposes of the Remuneration Policy, the Board of Directors identified as Senior Executives the Vice Chairpersons Lorenzo Boglione and Alessandro Boglione, and the Chief Executive Officer Federico Trono.

The Board also establishes the remuneration of the Supervisory Board 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 <http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp?menuSelectedID=4>.

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 13, 2022, the Board appointed the Remuneration Committee comprising the Directors Carlo Pavesio (Chairperson) and Daniela Ovazza, Non-Executive Director and the Non Executive Independent Directors Piera Braja e Francesco Calvo.

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 Executive Directors and 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.

During 2022, the Committee met three times to review the draft Remuneration Report to be submitted to the Shareholders' Meeting, the proposal to award a one-off bonus to the Chief Executive Officer Federico Trono, the allocation of remuneration to the Executive Directors of K-Way S.p.A. Lorenzo Boglione and Alessandro Boglione, and the proposals for the allocation of remuneration pursuant to Article 2389 of the Civil Code to the newly-appointed Directors with delegated powers. 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 impacts and 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.

With regard to the assessment of the Internal Control and Risk Management System, the Board of Directors, at its meeting on March 9, 2023, confirmed the adequacy of the organisational, administrative and accounting structure of the Company and its "strategically significant" subsidiaries, prepared by the Chief Executive Officers, with particular reference to the control and risk system and general operating performance.

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. 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 13, 2022. The Committee is composed of three Independent Directors: Piera Braja (Chair), Francesco Calvo and Cristiano Fiorio. 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 2022, the Committee met seven 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 members of the Board of Statutory Auditors, the Chief Financial Officer and Executive Officer for Financial Reporting, the Chairperson 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 meetings, the Committee:

- met periodically with the Internal Audit Manager, reviewed the Internal Audit Plan and periodic reports;
- 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;
- carried out the activities within its remit relating to financial disclosure as regards the Financial Statements at December 31, 2022, meeting with 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 2022, 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 2022 Consolidated Non-Financial Report, reviewed the 2022 Consolidated Non-Financial Report, rendering a favourable opinion on the Board's approval of the Consolidated Non-Financial Report;
- monitored compliance with the Related Parties policy.

9.3. 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.

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

The Board of Directors at the meeting of April 13, 2022 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 and on the BasicGuys platform area dedicated to Group Human Resources.

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.

In 2022, the Supervisory Board met three times.

Ethics Code

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

In 2022, 77 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 238 participants, of which 1 Executive, 235 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 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.

In 2022, 522 hours of training on the principles of Legislative Decree No. 231/2001 were held, concerning anti-corruption policies and procedures, involving 751 participants, of which 23 executives and 710 white-collar and 18 blue-collar employees, all operating in Italy.

Participants in training and on anti-corruption policies		2022	2021
Executives (No.)		23	2
	<i>% of total Executives (*)</i>	76%	6.66%
White-collar (No.)		710	169
	<i>% of total White-collar (*)</i>	108% (**)	28.11%
Blue-collar (No.)		18	4
	<i>% of total Blue-collar*</i>	82%	20%
Total (No.)		751	175
	<i>% total Group*</i>	106% (**)	26.88%

(*) Percentages are calculated on the average workforce in Italy in 2022

(**) Percentage shares above 100% are attributable to the turnover rate, as they also include departed trained resources.

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 13, 2022 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

11. BOARD OF STATUTORY AUDITORS

11. 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 at 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 (as per Article 123-bis, paragraph 2, letters d) and d-bis) CFA)

The Board of Statutory Auditors, whose mandate shall conclude with the approval of the 2024 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	Ugo Palumbo	1983	13/04/22	13/04/22	Approval 2024 Accs.	m	X	7/7	-
Statutory Auditor	Gianna Luzzati	1962	13/04/22	13/04/22	Approval 2024 Accs.	M	X	7/7	-
Statutory Auditor	Alberto Pession	1965	27/04/17	13/04/22	Approval 2024 Accs.	M	X	11/12	-
Alternate Auditor	Riccardo Garbagnati	1961	13/04/22	13/04/22	Approval 2024 Accs.	m	X	N/A	-
Alternate Auditor	Simonetta Mattei	1967	13/04/22	13/04/22	Approval 2024 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 with reference to the appointment date.

(****) This column indicates the number of offices, in addition to BasicNet S.p.A., of director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144-*quinquiesdecies* of the Consob Issuers' 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 13, 2022 and, according to the Consob Issuers' Regulation, verified for all of its members compliance with the independence requirements established by Law (Article 148, paragraph 3 of the CFA) and by the Corporate Governance Code 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 Corporate Governance Code.

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

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

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

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

The documentation filed for the purposes of the appointment, including the updated curriculum vitae of the Statutory Auditors, is available on the website www.basicnet.com/contenuti/gruppo/organisocialisocieta.asp.

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

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

Access to information

Dialogue with investors has been encouraged since listing, through continuous updates to the Company's website 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.

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.

2022 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 29, 2011) approved the Shareholders' Meetings Regulations in order to permit the orderly functioning of the meetings and to guarantee the right of each shareholder to take the floor on matters under discussion. The Shareholders' Meeting regulations are available on the Company website

www.basicnet.com/contenuti/gruppo/regolamento.asp

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

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

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

In 2022, two Shareholders' Meetings were held. In order to minimise the risks connected with the current health situation, the Company decided to utilise the option - provided by Article 106 of Decree-Law No. 18 of March 17, 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 1 of Legislative Decree No. 228 of December 30, 2021, converted with modifications by Law No. 15 of February 25, 2022 - 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 (as per Article 123-bis, paragraph 2, letter a), CFA)

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

15. CHANGES SUBSEQUENT TO THE YEAR-END

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

On behalf of the Board of Directors

The Chairperson

Marco Daniele Boglione

CONSOLIDATED NON-FINANCIAL REPORT

DRAWN UP AS PER LEGS. DECREE 254/2016

ANNOUNCES

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Methodology

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

As a large Public Interest Entity, the BasicNet Group has prepared a Non-Financial Report to fulfil the obligations under Article 3 of Legislative Decree No. 254/2016, which transposed Directive 2014/95/EU into Italian law. Accordingly, this Report includes an account of the main policies applied by the entity, the management models and main activities carried out by the Group in 2022 with regard to the matters expressly cited in Legislative Decree No. 254/2016 (environmental, social and employee matters, respect for human rights, anti-corruption and bribery matters). In particular, the matter of human rights is applied by the Group to its management of relations with the Group's personnel, Licensees, Sourcing Centers and suppliers, in accordance with the principles and values cited in the Ethics Code and Ethics Code of Conduct for Sourcing Centers. For further details on this matter, reference should be made to the sections “The promotion of the economic development of BasicNet's partners”, “The supply chain” and “Diversity and equal opportunities” of this Report and to the section “Legislative Decree No. 231/2001 Organization Model” of the Corporate Governance and Ownership Structure Report. The main measures adopted by the Group to prevent bribery and corruption are described in the section “Conflicts of interest and prevention of bribery and corruption” of the Directors’ Report. The main risks relating to sustainability issues that have been identified – having to do with management of the network of licensees and associated with the production of the Group's products – are described in further detail in the Directors’ Report in the “Main risks and uncertainties” section. The main warranty and innovation actions are outlined in the “Research and Development” section of the Directors’ Report.

The purpose of the Report is to give an account of the Group's values, major initiatives and sustainability performance in 2022 that is consistent with its organizational structure (reporting period from January 1 to December 31, 2022). The 2022 Non-Financial Report was approved on March 9, 2023 and subsequently published.

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

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

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

The contents and indicators subject to reporting were selected on the basis of the materiality analysis conducted in 2022 and presented in the Report, which permitted the identification of the aspects material to the Group and that could substantially influence stakeholders' assessments and decisions, in light of the topics cited in Legislative Decree No. 254/2016. The materiality analysis was in line with that reported in 2021.

Specifically, the process for determining the content of the statement was based on the principles of Accuracy, Balance, Clarity, Comparability, Completeness, Sustainability context, Timeliness and Verifiability, as per the GRI Standards 2021.

It should be noted that the only significant change in the scope during the reporting period concerns the inclusion of K-Way France S.a.s., which was acquired in April 2022. In addition, no revisions or amendments to last year's figures were made.

The financial reporting scope is the same as for the BasicNet Group's 2022 Consolidated Financial Statements. The scope of the financial, social and environmental information included extends to the companies included in the BasicNet Group at December 31, 2022 and consolidated line-by-line in the Group's Consolidated Financial Statements.

In 2022, the corporate reorganisation project continued which was initiated to bring under the direct control of BasicNet all of the individual brand-owning companies. It should also be noted that the scope of environmental reporting, especially as regards energy consumption and greenhouse gas emissions, includes the company BasicAir S.r.l., which owns a used Cessna Citation aircraft.

Following the corporate transactions executed in the year, all the brand owning companies are now under the direct control of BasicNet S.p.A.. The reorganisation plan continues in 2023, with the goal of bringing the management of commercial activities within the companies owning the individual Brands and the retail activities under the control of the individual [brand], through the respective retail [brand] companies. KappaRetail S.r.l. is already operative, while others shall become operative during the year.

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

Unless otherwise indicated, the figures and information presented in the Report refer to financial year 2022. This information has been provided with a comparison to 2017 to permit an assessment of the performance of the activities where possible. In the interest of full understanding, an account has also been given of measures taken in previous years that still apply to the Group's activities.

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

The Non-Financial Report will be published annually.

The Non-Financial Report is also available on BasicNet's website, www.basicnet.com. For further information, please contact the e-mail address: affarisocietari@basic.net.

This Report was approved by the Board of Directors of BasicNet S.p.A. on March 9, 2023, along with the Annual Financial Report.

The independent auditors EY S.p.A. performed a limited review ("limited assurance engagement") according to the criteria indicated in standard ISAE 3000 Revised) on the compliance of this Report in a specific report that certifies the compliance of the information provided with Article 3, par. 10, of Legislative Decree No. 254/2016. The quantitative indicators that do not refer to any general or topic-specific related to the GRI Standards, detailed on the pages listed in the Index, are not subject to limited review by EY S.p.A..

1. Sustainability for BasicNet

1.1 Stakeholders and materiality analysis

In its operations, BasicNet has always sought to create value for its shareholders and, more generally, all those who have a stake in the Group's business. Accordingly, as part of its pursuit of sustainability, in 2022 BasicNet updated the **mapping** of its main **stakeholders**, confirming the analysis in the previous years, by conducting an analysis of its business and with the participation of Group management. The goal was to identify the main groups that may be influenced by BasicNet's business, including with regard to the type of relationship with the Group in terms of dependence and influence. This mapping process – which resulted in the identification of **nine main groups** of stakeholders – was carried out in accordance with the international principles established by AA1000 Stakeholder Engagement Standard, AccountAbility (2015), and the GRI Sustainability Reporting Standards, 2021.

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

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

List of the BasicNet Group's stakeholders

With the aim of identifying the economic, environmental and social topics relevant to the Group and its stakeholders (“material topics”), in 2022 the BasicNet Group promoted the internal involvement of the top management by conducting a materiality analysis – a key process to the preparation of the Non-Financial Report. In this regard, this year's materiality analysis process included adaptation to the new directives of the GRI Reporting Standard, which requires an assessment of the **impacts** (negative, positive, current, potential) that BasicNet has, or could have, on the economy, environment and people, including impacts on human rights. The preliminary phase of the activity included an analysis of the regulatory and market environment, taking into consideration the main industry ESG trends, referring to public documentation of key peers and national and international reports on the topic, external scenario analysis documents and research on sustainable development policies (e.g. ,reports prepared by the World Economic Forum). Starting from this analysis of the regulatory and market environment, a mapping and assessment of impacts was thus carried out, resulting in the selection of material topics to be reported on in this document.¹

Given the continuity of Group business, the materiality analysis was in line with that reported in 2021 and was consistent with the indications of the reporting standard and macro sector trends. The analysis resulted in the identification of **16 material topics**, divided into four general categories (Governance, Compliance and Economic Responsibility, Responsibility in the Value Chain, Social Responsibility and Environmental Responsibility), for each of which the main stakeholders with the greatest involvement were identified. This overview represents a fundamental tool for the Group to set its priorities with regard to sustainability and to steer the actions to be pursued in this area.

¹ The results that emerged as a result of the materiality analysis with impact assessment are provided in the Appendix section.

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

Category	Material aspect	Stakeholders impacted
Governance, Compliance and Economic Responsibility	Combating corruption	Investors, Shareholders and the financial community; Suppliers; Sourcing Centers; Licensees; Public Sector; government and control bodies, Group Resources
	Business ethics and Compliance	Suppliers; Sourcing Centers; Licensees; PA; government and control bodies, Investors, Shareholders and the financial community
	Promotion of economic development	Sourcing Centers; Licensees; Franchisees; local communities, Investors, Shareholders and the financial community
Responsibility in the value chain	R&D and Innovation	Sourcing Centers; Licensees; Clients and Customers, Group Resources
	Responsible and transparent procurement	Suppliers; Sourcing Centers
	Data Security and Protection	Sourcing Centers; Licensees, Suppliers
	Quality products and the fight against counterfeiting	Sourcing Centers; Licensees; Customers and consumers; Franchisees
	Customer engagement and satisfaction	Customers and consumers; Franchisees
Social responsibility	Management and development of human resources	Group Resources; Franchisees
	Diversity and equal opportunities	Group resources; Franchisees; PAs, government and oversight bodies
	Employee well-being and satisfaction	Group Resources; Franchisees
	Employee Health and Safety	Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees
	Human Rights	Group resources; Suppliers; Sourcing Center; Licensees; Franchisees; PAs, government and oversight bodies
Environmental responsibility	Protection of ecosystems and efficient use of resources	Public Sector, government and control bodies; local communities
	Waste management and circularity	PA, government and control bodies; local communities, Group Resources
	Climate change adaptation and mitigation	Public Sector, government and control bodies; local communities

1.2 Promoting the economic development of BasicNet's partners

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

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

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

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

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

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

In 2021, the PRSL (Product Restricted Substances List) was revised to update it to the latest international standards in effect.

Also in 2022, the assessment process was conducted on all the new Sourcing Centers, still limiting physical visits in some cases due to continuing pandemic restrictions, while requiring the same level of documentation.

As mentioned in previous years regarding the Sourcing Agreement and the Inlight project, BasicNet has begun a rating process with Intertek in order to proceed with the strengthening of its social responsibility. BasicNet intends to instil, in every one of the operators with which it collaborates, the values and principles of an operating model that encourages sustainable development from economic, environmental and social standpoints.

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

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

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

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

The project, which involves direct contact with each production unit in all parts of the world, has not yet reached the final stage of evaluation, both because of continuing difficulties related to the pandemic and the specifics of our business model.

All units have been contacted and notified, and 301 production units had received the questionnaire and began the assessment phase by the end of 2022 compared to 174 in 2021.

During 2022, BasicNet has planned and already partially initiated several initiatives for the taking of a systemic approach to sustainability, with the Group to undertake an active and conscious role.

A central point of the Group's activity remains the attention to the development of sustainable collections, to be made available to the network of Licensees, and to the management of a rating that prefers Sourcing that complies with the Group's initiatives.

The goal is to constantly improve the production process and the related supply chain. The Group strongly believes that minimizing social and environmental impact is the correct path to take and the ultimate goal is to continue to grow sustainably by offering attractive products in this regard.

The Group has always paid the utmost attention to LEP (Labelling, External decoration, Packaging), which is considered a distinctive element of the product. BasicNet continued to assess the possibility of using pre-recycled/recyclable materials for pendants and boxes at its main sourcing centres, in line with the relative certifications.

For the K-Way Brand all tags have new codes and are made of FSC paper, derived from recovered or recycled material.

Similarly for Sebago, whose shoe tags and boxes are made of FSC paper.

The same has been undertaken for Superga, whose tags and boxes have been made of FSC paper with soy-based inks, vegetable coatings, and UV printing from the second half of 2022 and the first half of 2023 for accessories. Starting in Fall Winter 2022, label lanyards are made of recycled nylon, recycled paper, or jute (depending on the type of packaging). The shoe-fillers are made of 100% recycled and recyclable plastic.

The main labels of the Robe di Kappa brand are made of recycled polyester yarn from the first half of 2022.

Kappa uses hangtags processed with water-based inks and sourced from an FSC (Forest Stewardship Council) certified paper mill.

A process is also underway with the goal of obtaining plastic bags of all brands made of the most recycled material possible.

With the cooperation of Deloitte, the requirements of the new rules related to environmental labeling (effective January 1, 2023) were set in order to comply with current regulations.

A similar process has also been followed with regard to the Plastic Tax (aimed at disincentivizing the use of products made of plastic materials by subjecting them to a new tax affecting "single-use plastic", although which has now been postponed to a date to be defined), so that its management through the BasicNet platform can be set out.

As far as the approach on the single product is concerned, BasicNet has always focused on offering the best possible product to the Licensee Network, always prioritising the research of products with a targeted and certified content, in full compliance with the regulations in force. Some products resulting from such research deserve special mention.

Superga®

Alongside products in certified organic cotton, produced in accordance with specific national or international organic agricultural standards, the 100% vegan friendly and cruelty free approach continues through specific dedicated styles. Producers are required to honour this intention, and a third party has been authorised to verify and certify compliance.

Product development continually seeks to take an increasingly sustainable approach, respecting original production techniques and "natural technology" - such as the breathability of cotton and the wear resistance of vulcanized rubber.

Sebago®

Its strength is the "durability" of the product, as the philosophy of the Brand is that a conscious purchase is one that stands the test of time.

In this regard, we have entered into an initial collaboration with a footwear firm specialised in sole-replacement and shoe repairs with Goodyear techniques to prolong the useful life of footwear.

We recall also that the processing of raw leather starts from the reuse of a waste from the food industry, In this manner, it is possible to consider tanning production as one of the first cases of "Circular Economy": the use of a waste from another production process becomes the "raw material" for a new production. The Q1Q2 2023 items also include 3 styles constructed with a rubber sole whose compound also includes the excess rubber recovered from previous moulds.

K-Way®

There are several offers for K-Way as well.

These include the Amiable collection made of 100% recycled and recyclable nylon, the Heavy Warm package with Thermore Ecodown padding and the use of recycled nylon fabrics, recycled polyester linings filled with recycled down on different packages (Light Warm Double, 2.1 Amiable Thermo Heavy Microtwill Baffles, Shiny Twill, Amiable- Eco Fur Double, Plisse Thermo Heavy)

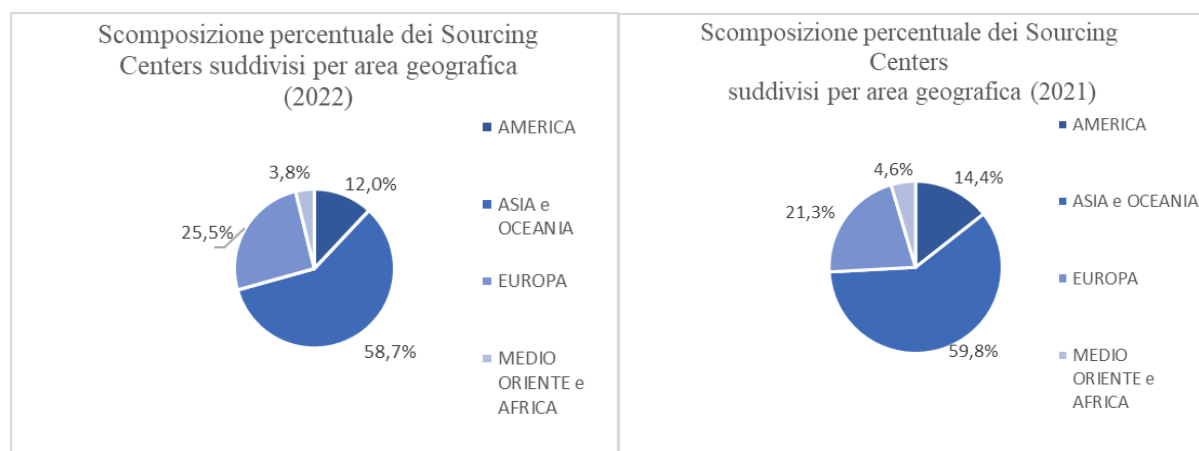
Kappa®

Although we are aware that producing new garments in large quantities can hardly be considered sustainable, there is an increasing commitment to making garments created from responsible materials, through the use of recycled down (Recycled Duck Down 90%, Recycled Duck Feather 10%), organic cotton, and REPREEVE (polyester from recycled plastics (mostly bottles)) fillings.

Robe di Kappa®

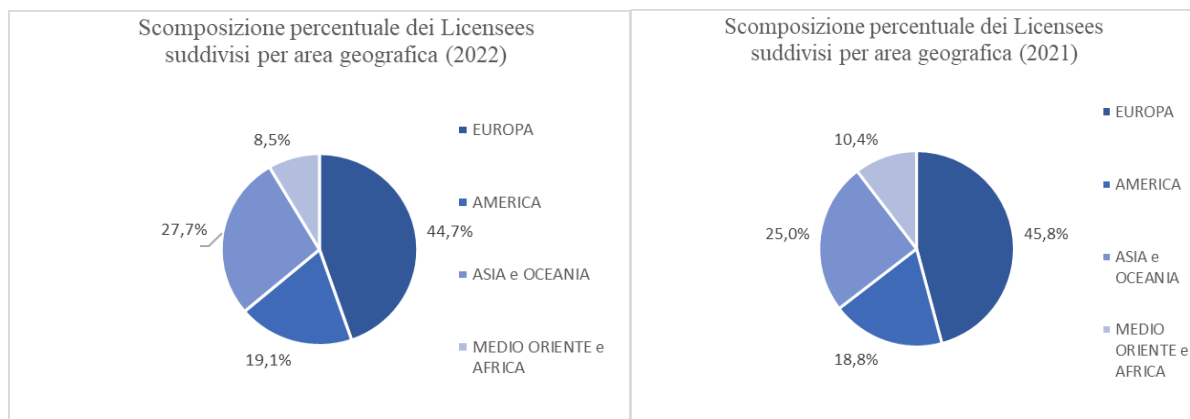
Remaining in the collection the AARAU GREEN, polo in 100% organic cotton included in the new collections.

In 2022, the Group was supplied by a total of 184 sourcing centres (or 174, since some have operating units in more than one country), compared to 174 in 2021 (163 in effective terms). Their facilities are located all over the world.



Again this year, the increase of sourcing centres, which took place as always in compliance with the search for the best option for all Partners involved in the purchasing process, is due to the effort to find the best balance in the various geographical areas. The growth in fact was in Europe, reaching a share of 25.5% (up from 21.3% in 2021).

The total number of Licensees remained essentially the same: 94 Licensees were involved in 2022, which is 2 less than in FY 2021. Of these 94, 4 are in sell-off.



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

1.3 BasicNet's approach to taxation

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

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

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

The Parent Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. A standard procedure exists at a Group level, in addition to a strict risk management process, where internal control concerns the activities undertaken to protect company assets, effectively manage operations and clearly provide information on the Group financial statements, in addition to those activities undertaken to identify and contain company risks.

On September 30, 2019, the Company filed for the renewal of the Patent Box Agreement (2015-2019) in relation to the indirect use of intangible assets (designs) within the scope of intercompany transactions for the period 2020-2024. At the same time, the Company is taking advantage of the "Patent Box" benefit for the indirect use of intangible assets (designs and models and copyrighted software) as part of transactions with third parties, pursuant to the regulations of Article 1, paragraphs 37 - 45 of Law No. 190/2014 and Ministerial Decree 28.11.2017 for the period 2020-2024.

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

2. Responsibility in the Value Chain

2.1 The supply chain

The Group distinguishes between its dealings with regular suppliers of goods and services ("non-core" suppliers) on the one hand, and its dealings with sourcing centres and licensees on the other, which are the Group's true commercial counterparts. As can be seen from a mapping of the Group's stakeholders, BasicNet's Business System distinguishes between its dealings with Licensees, considered as commercial partners, which includes the Group's *Customers and consumers*, and its Sourcing Centres, as core suppliers of the subsidiaries BasicItalia S.p.A., K-Way S.p.A. and Kappa France S.a.s.

"Core" suppliers

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

BasicItalia S.p.A., K-Way S.p.A., Kappa France S.a.s and Kappa France S.a.s. buys goods on a marketplace generated by tenders from sourcing centres selected by BasicNet depending on the technical requirements for satisfying the Group's needs in terms of quality, volumes and production times, as well as on the manufacturer's financial soundness. Repeated on-site inspections are made to assess the consistency of these variables over time. It should be noted that, during the pandemic period, in order to maintain continuous contact with the Sourcing Centers and view their performance, site visits were replaced by frequent online contact.

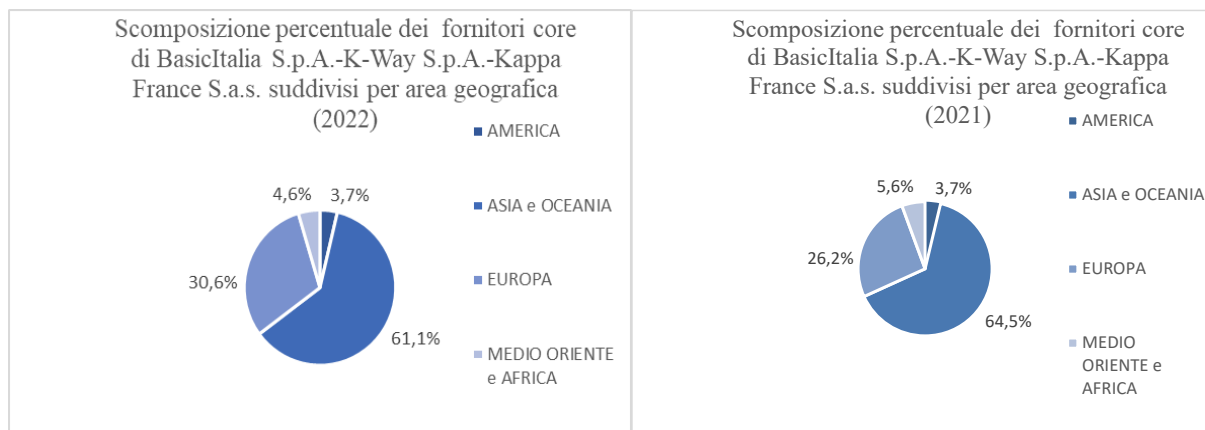
The companies BasicNet Asia and BasicNet Asia Vietnam have been set up with the task of managing relationships with the Sourcing Centers in the area, in order to optimise the control of their activities and to ensure the constant changing of suppliers and to hinder positions of strength.

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

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

Every sourcing centre that joins the Group's network, regardless of whether it is one of BasicNet's Customers and consumers or a core supplier of BasicItalia S.p.A., K-Way S.p.A., Kappa France S.a.s and Kappa France S.a.s., must read and sign the Ethics Code and Code of Conduct, which are based on the fundamental conventions of the International Labour Organisation (ILO), the Universal Declaration of Human Rights and the PRSL (Product Restricted Substances List).

In 2022, just as in the previous year, almost all sourcing centres supplying BasicItalia S.p.A., K-Way S.p.A., K-Way France S.a.s. and Kappa France S.a.s. are located in either Asia or Europe.



Suppliers of goods and services

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

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

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

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

BasicNet, when it allocates employees, services and supplies to contractors, is responsible for providing these parties with information on the specific risks present in the workplace where they are going to work, as well as for providing information on the applicable preventative and emergency measures related to their work in compliance with the provisions of Art. 26 of Legislative Decree 81/2008. If outside suppliers are working continually on BasicNet's premises, BasicNet fills out the Uniform Risk Assessment Document (DUVRI), which is a single standard form, and evaluates the risk of interference among the contractors. Every supplier of labour and services must be approved beforehand by BasicNet after a professional and technical review pursuant to Legislative Decree 81/2008. In 2020, the Basic Group updated its DUVRI to include risks associated with Covid-19.. The updated document was subsequently filled out by contractors and suppliers.

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

- Certificate of fulfilment of tax obligations (DURC);
- Certificate from the Chamber of Commerce;

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

In 2022, the Group had around 2,384 suppliers for purchases not strictly related to core operations, up from 2,115 in the previous year. Of these, approximately 65% were of Italian origin, compared to 69% in the previous year.

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

2.2 Data protection

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

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

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

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

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

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

Perimeter protection of the IT infrastructure is outsourced to a certified outside body, a SOC (Security Operation Centre) that conducts 24/7 monitoring of the entire network. In addition, a new policy was introduced to protect user passwords and access to applications via activation of Multifactor Authentication, or two-factor authentication.

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

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

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

For the Kappa Europe Group, which came under the scope of consolidation in 2019, an information system evaluation was carried out, and the necessary steps are underway to bring its policy in line with that of the Basic Group.

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

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

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

The Privacy Management System implemented during 2018 mainly covered the “Processing Registers”, the main privacy procedures, the “Privacy Management Manual”, the “privacy disclosures” for interested parties, and the instruments of appointment for parties involved in any way in company data processing (including, for example, instruments of appointment for external officers and authorised personnel). This was to comply with new legislation on the protection of personal data. In 2021, as part of the procedures set out in the integrated control system, checks were carried out on the correct application of the procedures, on the compliance measures undertaken to adhere to the GDPR and applicable reference legislation, on the requests received by the Group from interested parties, and on the number of violations reported (updated for 2022, in which no violations were reported). As regards K-Way France S.a.s., acquired in April, an assessment is currently underway to examine the privacy management system in place. This aims to identify - and, where necessary, plan - any changes required to bring this system in line with the system adopted by the Basic Group.

2.3 Consumer protection

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

BasicTrademark combats counterfeiting

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

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

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

BasicLabel labelling

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

The BasicLabel project was created so as to reassure the end customer that the product is genuine and can be properly traced.

The project operates entirely online. Starting from the information of the items in BasicSamples and BasicSpecs (which are in charge, respectively, of determining and selling sample collections and of setting technical specifications), when acceptance of an order is confirmed through BasicFactory (the online order management platform for sourcing centres), the BasicLabels manufacturer automatically receives an order for as many labels as items have been ordered (plus buffer amounts), thus assuring tight control over the number of items manufactured. The project is currently active with the K-Way, Superga, Briko and Sebago (Apparel) brand products, covering about 70% of products by 2022.

As the BasicLabel project evolved, the use of RFID (Radio Frequency Identification) labels was introduced, allowing the Sourcing Center to associate all labels with the product code and allowing easier reading during the storage of goods and distribution.

An RFID tag is used for almost all Kappa products. From the first half of 2022 the system has been extended to Robe di Kappa and also to K-Way starting from the first half of 2023.

3. Social Responsibility

3.1 BasicNet Group human resources

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

At December 31, 2022, the Group's workforce consisted of 961 employees, of which 70.45% in Italy. Most employees have full-time contracts (838 of which 349 men and 489 women) while 123 workers are part-time, of which 91.87% are women. Most employees on part-time contracts are in retail sales as it is a seasonal business and many sales outlets are still start-ups. In addition, the Group sometimes hires temporary workers. In fact, during the year 2022, mainly in the logistics area and retail area, 15 resources (including 5 men and 10 women) were hired under agency contracts. In addition, during 2022, 101 interns (42 men and 59 women) were registered.

Workers by type of contract (No.)*	2022			2021		
	Male	Female	Total	Male	Female	Total
Italy				200	451	651
Permanent	218	459	677	148	327	475
Fixed-term	60	135	195	52	124	176
Overseas	141	143	284	94	119	213
Permanent	109	109	218	67	69	136
Fixed-term	32	34	66	27	50	77
Total	359	602	961	294	570	864
of which:						
Full-time	349	489	838	287	478	765
Part-time	10	113	123	7	92	99

* Data on the total number of employees reflect only the headcount (non-FTE) of in-house staff at December 31, 2022

In contrast to the previous two-year period, the Group did not use social security schemes in 2022.

In 2022, 454 new staff were hired (176 males and 278 females). Departures numbered 357 people, with a staff turnover rate of 37.15%. The new hires and departures mainly concern the Retail area, in particular, the new hires in the “overseas” geographic area concern the entry of the company K-Way France S.a.s. to the BasicNet Group.

Hiring rate and staff turnover	2022				2021			
	Hires (no.)	Departures (no.)	Period-end turnover incoming *	Period-end turnover outgoing **	Hires (no.)	Departures (no.)	Period-end turnover incoming	Period-end Turnover Outgoing
Gender								
Male	176	116	49.03%	32.31%	91	82	30.95%	27.89%
Female	278	241	46.18%	40.03%	177	114	31.05%	20.00%
Age group								
Under 30	298	198	90.30%	60.00%	186	124	80.52%	53.68%
Between 30 and 50	146	140	29.80%	28.57%	72	62	14.81%	12.76%
Over 50	10	19	7.09%	13.48%	10	10	6.80%	6.80%
Region								
Italy	221	195	32.64%	28.80%	203	142	31.18%	21.81%
Overseas	233	162	82.04%	57.04%	65	54	30.52%	25.35%
Total	454	357	47.24%	37.15%	268	196	31.02%	22.69%

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

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

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

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

- through suitable policies, procedures and internal rules that are announced and updated whenever needed, to ensure the orderly conduct of company business in compliance with operational standards and company directives.

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

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

The selection procedure is handled with BasicGuys software, which can be accessed by the Staff of a “.com” called BasicGuys and by the managers of all “.coms”, and which ensures that the selection process is traceable. To ease insertion of staff, BasicNet constantly organises a large variety of training programmes. In 2022, in Italy 83 internships began, of which 57 concluding in 2022. Of the concluding internships, employment contracts were signed with 29.

3.2 Diversity and equal opportunities

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

The company's success in attaining these goals is evident from its employment figures: at December 31, 2022, the total Group workforce was 37.36% male and 62.64% female, demonstrating the strong female presence at the Group. 50.99% of the total workforce are between the ages of 30 and 50, 14.67% are over the age of 50 and 34.34% are under the age of 30.

	2022				2021			
	Executives	White-collar	Blue-collar	Total	Executives	White-collar	Blue-collar	Total
Gender								
Male	70.97%	35.87%	50.00%	37.36%	69.70%	32.18%	50.00%	34.03%
Female	29.03%	64.13%	50.00%	62.64%	30.30%	67.82%	50.00%	65.97%
Age group								
Under 30	0.00%	35.65%	29.17%	34.34%	0.00%	27.87%	25.00%	26.74%
Between 30 and 50	45.16%	51.21%	50.00%	50.99%	42.42%	56.97%	50.00%	56.25%
Over 50	54.84%	13.13%	20.83%	14.67%	57.58%	15.17%	25.00%	17.01%
Total	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%	100.00%

Just as it does every year, the Group renews its commitment to its ethical values of social responsibility by hiring 20 people belonging to the so-called protected categories. At 31/12/2022, there were 25 staff (14 females and 11 males).

Staff belonging to protected categories (No.)	2022		2021	
	Male	Female	Male	Female
Classification				
Executives	1	-	1	-
White-collar	9	12	10	9
Blue-collar	1	2	1	2
Total	11	14	12	11

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

3.3 Training and development of human capital

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

Training begins immediately upon hiring. Training begins on the very day new employees are hired, when they are handed an information sheet with the Code's rules on personal data privacy (Legislative Decree no. 196 of 30/6/2003), the Group's Ethics and Conduct Code, an information brochure on health and safety, and a statement to sign whereby they consent to audio-video recording pursuant to section 13 Legislative Decree 196/2003, independently of their role, participating at the 4 day introductory course ("Welcome on Board"). During these first few days, new resources are given an overview of Group operations and of the business model, and are also presented the company benefits and instruments, including regarding the IT systems (e.g. the stamping system, how to request leave, absences from work, etc.).

Each year BasicEducation prepares a Group Training Plan, which is then loaded into the section of the system dedicated to each individual employee. The training activities performed are identified on the basis of legislative requirements (e.g., Legislative Decree No. 81/2008)², the working needs indicated by employees and updates on processes, in accordance with the Group's policies.

2022 also saw the continuation of the project to train retail staff and ensure that the Group's Human Resources remain constantly up to date. In 2022 the Group provided over 7,000 hours of training to its human resources, involving a total of 810 trainees. Of these hours, 18% regarded Health and Safety training (Legislative Decree No. 81/2008), whereas the remainder related to the Ethics Code, business model and training financed: improvement of digital skills, use of 3D software, customs policies and sustainability. These courses were undertaken with the support of funding from the "Fondimpresa" Inter-professional Fund.

Hours of training provided	2022	2021
Total hours of training	7,407	5,532
<i>of which, in the classroom</i>	5,698	3,804
<i>of which, online</i>	1,709	1,728
% of hours of training financed ³	2.80%	3.90%

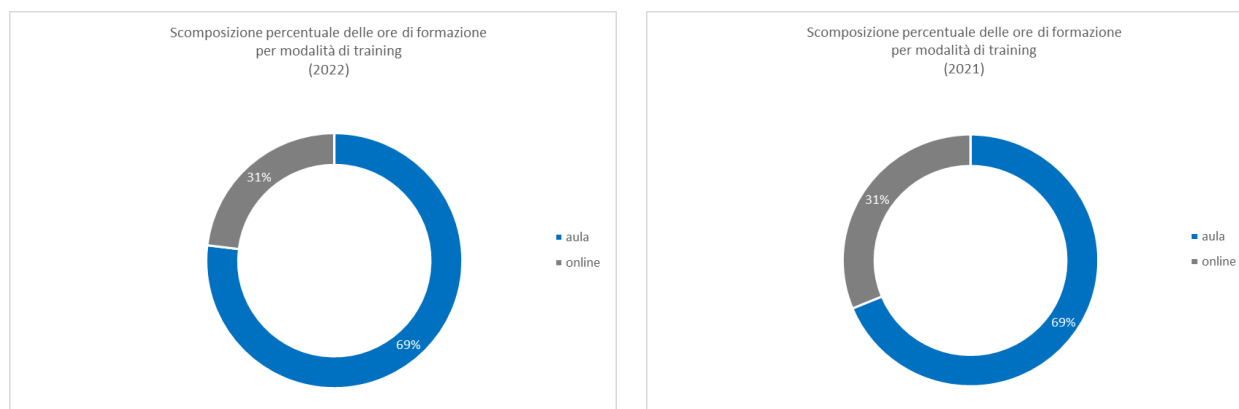
For 2022, the hours of training provided to interns have been separated from the total, and amount to

Training hours provided (interns)	2022	2021
Total hours of training	1,828	487
<i>of which, in the classroom</i>	1,586	371
<i>of which, online</i>	242	116

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

² The data and information regarding anti-corruption policy training is available in the "Legislative Decree No. 231/2001 Organization Model" section of the Corporate Governance and Ownership Structure Report.

³ Training activities for which funding was requested from the "Fondo Interprofessionale Fondimpresa".



Training by classification and gender	2022		2021	
	Resources trained (no.)	Average hours per capita (**)	Resources trained (no.)	Average hours per capita (*)
Executives	28	4.20	28	7.99
Male	20	3.83	19	8.19
Female	8	5.10	9	7.53
White-collar	758	7.92	548	6.34
Male	217	6.34	158	7.34
Female	541	8.80	390	5.86
Blue-collar	24	4.33	20	6.49
Male	13	7.80	10	10.96
Female	11	0.86	10	2.02
Total	810	7.71	596	6.40
of which, women	560	8.59	409	5.82

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

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

In order to promote training to ensure that staff remain constantly up-to-date regarding specific operational demands, specific action areas were identified. For 2022, the upgrade programs mainly focused on digital skills development and the use of 3D software for product design, customs policies and sustainability; these courses were undertaken with the support of funding from the “Fondimpresa” Inter-professional Fund.

For resources in the overseas offices, training focused on topics related to IT, human resources, and project management.

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

In 2022, adequate training was provided to all employees on the subject of COVID-19, the health emergency, and the behavioural protocols to be followed. The “Emergenza COVID-19 Lavoriamo Sicuri” course was maintained for all new hires joining the Group.

A total of 182 training hours were provided to 225 employees on COVID-19.

It is planned to maintain a briefing for employees on the topic, highlighting useful behaviors and practices even in non-emergency health situations.

In addition to the training activities that directly involved employees during the year, the Board of Directors receives communication, when requested, with respect to the main activities in the field of Sustainability carried out by the company. Where deemed necessary, communications are conducted during training inductions.

Company welfare and well-being

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

- The “hour bank” mechanism, which permits more flexible use of overtime.
- Reversible part-time granted to female workers with young children.
- The “BasicCare” desk, where company staff can be asked to handle payments and small routine errands.
- The “BasicGym” gym facility with equipment, which organizes gymnastics courses for the Group's personnel.
- The use of the sports voucher through access to the Train-Up platform with which courses with contracted trainers can be taken.
- Free access to the BasicVillage multi-storey parking garage.
- Listening desk: intended to provide employees access to qualified psychological support following a traumatic events or an event impacting work activities. Employees can get in touch with the Counselor to make an appointment. The Counselor informs the company how many times the service has been accessed on a monthly basis. The content of the appointments is confidential and protected by legislation on privacy and professional secrecy, while the identity of the people accessing the service, and the number of times it has been accessed can be traced.

In 2022, in order to help all BasicGuys and their families ease the worrying economic circumstances, the BasicNet Group introduced a BasicWelfare equivalent to about one month's salary to all personnel of the Group's Italian companies to deal with: school expenses, transportation expenses, fuel expenses, purchases at large retailers, the payment of bills, as well as for the enjoyment of recreational services.

As per the Group's social policy, Kappa France decided to provide its personnel with a bonus payment equal to one month's salary in order to support the purchasing power of its employees.

The Group seeks to promote work-life balance through the extension of the post-maternity part-time option provided for in the National Collective Labour Agreement, with the possibility of applying for the programme until the child's six birthday. Part-time requests are also generally accepted without reference to the percentage envisaged in the National Collective Labour Agreement. In 2022, 25 resources – 24 women and 1 man – took parental leave.

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

For the 2022 reporting period, the ratio of the annual salary of the highest paid person and the median of the annual total salary of all employees is 73.2⁴.

With regard to collective bargaining agreements, the BasicNet Group applies the Tertiary Distribution and Services Contract, which covers around 70% of employees, i.e. the majority of the company's workforce in Italy, with the exception of 3 staff, 2 of whom are employed under the Air Transport Contract and 1 under the Journalists' Contract.

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

⁴ Within the salary value of each individual employee, the following were considered: base salary, remuneration for Directors, any “one-time” bonuses, and corporate welfare amounts disbursed. For the calculation of the denominator (median of the pay of all employees), the individual with the highest pay was excluded and considered as the nominator. The reporting boundary considered covers the entire BasicNet Group.

Through the signing of an individual agreement, the possibility of smartworking was also confirmed, for all personnel performing compatible tasks, the modalities of which must be agreed upon with their supervisor:

	Total remote working hours	Total workable hours	% remote working on workable hours
Italy	112,467	855,400	13.15%

3.4 Occupational health and safety

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

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

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

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

For all the Italian companies of the Group, the “.com” BasicFacility is responsible for the management of health and safety in the workplace, and is supported in this by an external consultancy firm (Gruppo Torinoprogetti S.r.l.). On an annual basis, BasicFacility is allocated a budget which includes the item “SSL expenses” available for the Companies BasicNet S.p.A., BasicItalia S.p.A. and BasicVillage S.p.A., BasicTrademark S.A. (from 31/12/2022 Kappa S.r.l.), K-Way S.p.A. and, separately, who individually itemise expenses of BasicRetail S.r.l., KappaRetail S.r.l. and K-WayRetail S.r.l. (direct management).

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

During 2022 the health emergency from the Covid pandemic continued and the Group continued to manage and monitor the situation in compliance with current regulations and to safeguard the health and safety of its employees. The Group task force set up in 2020 for the management of the Pandemic Emergency also in 2021 and 2022 has tried to respond to all company needs from offices to points of sale, together with the external consulting firm Gruppo TorinoProgetti S.r.l. The task force meets periodically with the aim of verifying and adapting the new regulations to internal procedures. In summary:

- A series of Group, trade union and operational protocols were drawn up.
- Legally required PPE was purchased: hand gel, masks and gloves (technical documents were collected) and plexiglass barriers were installed at sales points to protect sales staff.
- In compliance with current regulations, the BasicFacility office has adopted new preventive sanitization procedures for offices, warehouses and points of sale at fixed intervals and, where positive cases occur, they are decontaminated.

- The task force meetings are also attended by the RSA and the EHSR (creating an additional opportunity to meet to discuss workplace safety).

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

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

The SSL organisational structure is communicated internally within the Group’s Companies through information given to employees when drafting their contracts or during training/information meetings and present on the web to the link HEALTH&SAFETY.

SSL personnel meet annually (pursuant to article 35 of Legislative Decree 81/2008) to identify and share information regarding sensitive situations and to identify potential corrective actions. Each meeting is duly formalised by the “.com” BasicFacility and BasicGuys of the Group and the related reports are shared with relevant parties. The following participate in the meetings:

- The DDL (Employer) for each Group company;
- The RSPP (external consultants);
- The ASPP (associated with the external consultancy companies);
- the Company Doctor;
- the employee health and safety representatives (RLS) of each Company;
- the HR office.

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

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

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

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

- a) the assessment of the health and safety risks. The risks associated with Covid-19 have been included since 2020;
- b) details of the criteria applied to risk assessments;
- c) the description of the activities carried out by the Company;
- d) outline of the current preventative and protection measures implemented and the individual protection provisions adopted;
- e) name of the person responsible for the prevention and protection service, employees’ health and safety representative and the Company-appointed doctor involved in the risk assessment;
- f) details of the tasks that could potentially expose employees to specific risks and which require a recognised professional skill, specific experience and sufficient training and induction to be carried out.

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

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

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

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

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

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

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

In 2022, there were no reports of occupational illnesses, nor were there any fatal incidents or incidents with permanent damage reported.

In 2022 there was 1 workplace accident in Italy and 2 workplace accidents abroad.

As for outside workers (temporary staff and interns), there were no occupational injuries recorded during 2022.⁵

Number of accidents and accident rates 2022 – Italy	
Total accidents (No.)	Total 1
<i>serious workplace accidents (No.)</i>	0
<i>of which deaths at work (No.)</i>	0
Frequency Index/Accident Rate (Injury Rate IR)	0.19
Rate of serious accidents at work (excluding deaths)	0.00
Workplace death rate	0.00
Total hours worked	1,065,319

⁵ At the information collection stage, it was not possible to estimate the hours worked during the year by outside workers.

Number of accidents and accident rates 2022 – Abroad		
Total accidents (No.)		Total
		2
	<i>serious workplace accidents (No.)</i>	0
	<i>of which deaths at work (No.)</i>	0
<hr/>		
	Frequency Index/Accident Rate (Injury Rate IR)	1.62
	Rate of serious accidents at work (excluding deaths)	0.00
	Workplace death rate	0.00
	Total hours worked	246,833
<hr/>		
Number of accidents and accident rates 2021 – Italy		
Total accidents (No.)		Total
		2
	<i>serious workplace accidents (No.)⁶</i>	0
	<i>of which deaths at work (No.)</i>	0
<hr/>		
	Frequency Index/Accident Rate (Injury Rate IR) ⁷	0.42
	Rate of serious accidents at work (excluding deaths) ⁸	0.00
	Workplace death rate ⁹	0.00
	Total hours worked	946,612
<hr/>		
Number of accidents and accident rates 2021 – Abroad		
Total accidents (No.)		Total
		6
	<i>serious workplace accidents (nr)³</i>	0
	<i>of which deaths at work (No.)</i>	0
<hr/>		
	Frequency Index/Accident Rate (Injury Rate IR) ⁴	4.37
	Rate of serious accidents at work (excluding deaths) ⁵	0.00
	Workplace death rate ⁶	0.00
	Total hours worked	274,337

Throughout 2022, the Companies of the BasicNet Group continued with the Prevention and Protection Service (Gruppo Torinoprogetti S.r.l.) through a number of health and safety projects aimed at promoting an increased awareness amongst employees regarding looking after their own health, including outside the work environment.

Every intervention to promote health was firstly developed as a step towards disseminating information, starting from drawing up a procedure to manage the actual process for disseminating information, the timelines and the target audience of the given project. Moreover, each health promotion intervention was supported by information materials drafted by official bodies, for example the Ministry of Health, to ensure accurate and valid content.

In order to safeguard employee health as well as the health of the company population, in 2022 new AED (automated external defibrillator) operators were trained, and new hires were brought up to date as per the applicable legislation.

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

⁷ The Frequency Index represents the ratio between the total number of accidents and the total number of days worked during the same period, multiplied by 200,000 (Source: GRI Standards)

⁸ The serious occupational injury rate represents the ratio of the number of serious injuries excluding fatalities to total hours worked, multiplied by 200,000.

⁹ The occupational fatality rate represents the ratio of the number of fatalities occurring in the workplace to total hours worked, multiplied by 200,000

Our commitment to the fight against COVID-19

As noted, since January 2020, the domestic and international picture has been dominated by the gradual spread of COVID-19 and the resulting restrictive containment measures implemented by the governments of the countries affected. BasicNet has responded promptly to the global economic and health crisis caused by COVID-19, respecting the regulations in place in the countries in which it operates. In order to protect its employees, suppliers, customers and stakeholders, the Group has promptly adopted preventive measures aimed at ensuring and managing employee health and safety in the best possible way, in addition to the well-being of its employees, and the maintenance of relations with its business partners. Against this backdrop, BasicNet established a “Crisis unit” in February 2020 to handle the COVID-19 emergency, through which measures to protect the health and safety of employees and operational continuity were introduced. At the same time, a workplace safety protocol was agreed with the Trade Union representatives with a view to the workforce’s gradual return. Remote working and communication tools for meetings with customers, suppliers and external staff were also encouraged and supported. During 2022, pandemic monitoring activities continued, and in relation to its development, the adopted restrictions for the prevention of COVID-19 infection were updated in full compliance with the applicable regulations and recommendations by the relevant local authorities.

4. Environmental Responsibility

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

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

4.1 Energy resource management

The energy resources analysed relate to:

- The Turin sites, i.e. the offices of the Parent Company¹⁰ (property of the subsidiary BasicVillage S.p.A.) and those of BasicItalia S.p.A., which is now owned by BasicVillage;
- K-Way S.p.A, whose offices are located inside the BasicVillage.
- BasicVillage S.p.A. headquarters in Milan.
- The French, English, Spanish and Swiss offices of the new Kappa Europe Group.
- The French offices of K-Way France.
- 49 Franchises¹¹, i.e. the stores owned by the subsidiary BasicRetail S.r.l., KappaRetail S.r.l. and K-WayRetail S.r.l. located in Italy and the store in Mendrisio (Switzerland) by the company K-WayRetail SUISSE SA. The AlloSpaccio store is included in BasicVillage’s consumption as it is located on the premises, as is the Sebago2 point of sales.
- The overseas branch of BasicNet Asia Ltd. (Hong Kong, China) is less important from an energy point of view, as it only has a handful of rented premises with 15 employees.
- The company BasicAir S.r.l., which owns a second-hand Cessna Citation VII aircraft.

In relation to the offices in Turin and Milan, where 485 out of 961 employees work (50% of the Group’s total workforce), the online business “BasicFacility” in recent years launched some initiatives to reduce energy consumption including:

- a programme to gradually replace neon lights with LED lights in the BasicVillage headquarters, for which the replacement of all offices and warehouses concluded in the course of 2022. It is nevertheless

¹⁰ The Parent Company’s relative electricity consumption also includes, for 2022, in continuity with 2021, the Corso Vigevano warehouse and the Via Padova offices in Turin (Italy).

¹¹ The K-Way20 and K-Way26 Olbia stores at Olbia Costa Smeralda Airport were excluded because both for size and consumption were considered not significant and because of the lack of specific data on the stores (expenses and consumption are invoiced by the Costa Smeralda Airport, without specific details).

important to note that in the BasicVillage offices there is an automatic lighting system which automatically switches off all the lights in the premises. At BasicItalia's offices, in 2022 the replacement of all lights and fluorescent bulbs with LED lighting was completed;

- the use of software to manage the thermal fluid installation in the BasicVillage and BasicItalia, which is constantly monitored by a web inspection system thereby controlling, managing, and implementing the functional programming of the electromechanical instruments, operating temperatures, and ATUs (Air Treatment Units) and which is capable of signalling any potential system anomaly. Depending on the type of premises involved, this monitoring system allows optimum summer and winter temperatures to be regulated for the office environments, thus reducing energy consumption and saving money;
- in 2022, the energy analysis and savings report referring to 2021 was delivered;
- the use of IT devices such as printers and photocopiers with automatic settings providing standby modes for certain periods of inactivity, as well as employees switching off their computers at the end of the day. According to the research undertaken on energy consumption and respect for the environment, the Group requests that its users, where possible and as per standard procedures, turn off their PC's and monitors at the end of the working day. This research is supported also by European Union data, which through the "Energy Star" platform introduced a dynamic calculation system which (Hardware features and average usage) can establish the annual energy consumption of PC's in kWh terms.

With regard to the energy resources used internally within the Group, all the stores and the Turin and Milan offices purchase their energy directly from the grid, but only the two Turin headquarters use respectively natural gas (BasicVillage headquarters) and oil (BasicItalia and BasicVillage headquarters) to heat their premises. We note that in 2022, total electric energy consumption increased by 39% compared to 2021, whereas the consumption of natural gas and oil for heating decreased by 21% and 76% respectively. The changes in the two heating sources used by offices in Italy are owed to the fact that the BasicItalia headquarters in Turin were connected to the methane gas network in 2022, and thus favours this resource to diesel. The increase in 2022 electricity consumption is also driven by the opening of new Retail stores.

A further portion of energy consumption can be attributed to the use of fuels (petrol and diesel) by the Group's fleet of vehicles, which includes company cars and long-term leased vehicles. This share has seen a small increase in gasoline consumption of 1% and has remained almost unchanged in terms of diesel consumption. In addition, there are more gasoline vehicles than diesel vehicles in 2022.

The share of greenhouse gases from electricity supplied from the grid (indirect emissions - Scope 2) increased by 27% for the location-based approach and 25% according to the market approach. On the other hand, direct emissions generated directly within the Group from the use of heating and vehicle fuels (direct emissions - Scope 1) decreased 3% on 2021. This decrease comes from a 30% reduction in emissions from natural gas and heating oil, but an 83% increase in emissions from fuel consumption generated by the Cessna Citation VII aircraft.

In general, it should be noted that the main differences relating to energy consumption data are mainly owed to the lockdown and the reduced use of company cars, especially by the sales team. In fact, the year 2022 provided for a return to headquarters, offices, and stores and was not affected like 2020 and 2021 by lockdown periods and restrictions. In addition, the changes in CO₂ emissions data between 2022 and 2021 can be attributed to an increase in the Group's energy consumption and changes to the consolidation scope, following the inclusion of the company K-Way France S.r.l for 2022, the BasicVillage in Milan and the openings of new sales points.

Internal and external energy consumption for the BasicNet Group in 2022 and 2021

Energy sources	2022	2021	Change %
Internal energy consumptionⁱ¹²			
Electrical energy purchased from the grid	6,202,388 kWh (22,329 GJ)	4,471,763 kWh (16,098 GJ)	39%
Heating			
Natural gas	289,336smc (10,224 GJ)	365,933 scm (12,910 GJ)	-21%
Diesel	12,650 litres (456 GJ)	52,240 litres (1,888 GJ)	-76%
Vehicles			
Petrol or vehicles	18,658 litres (597 GJ)	18,425 litres (589 GJ)	1%
Diesel for vehicles	77,168 litres (2,783 GJ)	76,978 litres (2,782 GJ)	0%
Aviation¹³			
Aviation turbine fuel	150 tonnes (6,924 GJ)	82 tonnes (3,587 GJ)	83%
Total internal energy consumption	43,312 GJ	37,856 GJ	14%

CO₂ emissions of the BasicNet Group, 2022 and 2021

CO ₂ emissions (ton CO ₂) ¹⁴	2022	2021	Change %
Scope 1 emissions ¹⁵	1,329	1,374	-3%
Due to heating	603	865	30%
Due to vehicles	249	249	0%
Due to aviation	476	260	83%
Scope 2 emissions ¹⁶			
Location-based Approach	1,697	1,334	27%
Market-based Approach	2,408	1,929	25%

4.2 Waste management

As the Group does not have its own internal production activity, the main waste produced by the Group's activities come under the conventional categories of typical office-waste: paper and cardboard, photocopier and printing toners, batteries and plastics. All waste products are collected and sent to recycling operators, according to the procedures and time frames of current legislation and based on waste categories: while paper and cardboard, plastic, and batteries are collected and sent to the recovery chain (52,898.90 kg of waste of non-hazardous waste and 392.05 kg of hazardous waste), toners are collected by third-party waste processing companies and sent for recovery. In terms of paper consumption, through the web integration, since 1999 the Group has committed to reducing paper usage by means of the IT platform, which is the only communication instrument between the elements within the Network (from procedural controls to HR

¹² For the 2022 data, the sources for the conversion factors used were the values published by the Ministry for the Environment and Protection of the Land and the Sea ("Standard National Parameters 2022" table) and by the Department for Environment, Food & Rural Affairs ("Conversion factors 2022: full set (for advanced users) - revised January 2022").

¹³ Fuel used for third-party travel was excluded from the Group's consumption of aviation turbine fuel for the Cessna Citation VII aircraft owned by BasicAir. In fact, approximately 40% of the aircraft's flight hours can be attributed to third parties.

¹⁴ For calculations of Scope 1 and Scope 2 emissions, only CO₂ emissions were taken into account. This is because the effect of methane and nitrous oxide on total greenhouse gas emissions (CO₂ equivalents) is negligible, as stated in the related technical literature.

¹⁵ For the 2021 data, Scope 1 emissions were calculated using the coefficients published by the Ministry for the Environment and Protection of the Land and the Sea ("Standard National Parameters 2021" table) and by the Department for Environment, Food & Rural Affairs ("Conversion factors 2021: full set (for advanced users) - revised January 2022").

¹⁶ The reporting standard used (GRI sustainability reporting standards 2021) establishes two different calculation methods for Scope 2 emissions: "Location-based" and "Market-based". The location-based method requires the use of the average national emission factor related to the specific national energy mix used to produce electricity (Source: Terna, International Comparisons 2019). The market-based approach uses an emission factor based on the contractual agreement for the provision of electricity. Given the absence of specific electricity agreements between the companies of the Group and the suppliers (e.g. a Guarantee of Origin purchase), for this calculation an emission factor based on the national "residual mix" was used (Source: Association of Issuing Bodies, European Residual Mixes 2021; Terna, Confronti Internazionali 2019).

management). The Group also utilises a scanner archive system throughout the operating cycle, for the majority of accounting records and ledgers and payroll management.

2022 saw a small decrease in the total waste produced despite the expansion of the Group consolidation scope. This movement was mainly caused by a change in work mode. In fact, during 2022 the smartworking mode was still used as permitted by current regulations to safeguard and protect the health of employees.

This specifically resulted in an increase in plastic consumption (+32%) and toner consumption (+61%), while paper and cardboard consumption decreased by 6%.

Hazardous waste increased by 170% as it is linked to the operation of equipment which, despite the pandemic, continued to operate and consume but whose accumulators (waste considered hazardous) have a variable duration and replacement frequency, not annual, on average every 4 years.

BasicNet Group waste products, year 2022 and 2021¹⁷

Type of waste (KG)	2022	2021	Change %
Non-hazardous waste			
Paper and cardboard	51,490	54,930	-6%
Toner	130	80	61%
Plastic	1,409	1,067	32%
Total	53,029	56,077	-5%
Hazardous waste			
Batteries	392	145	170%
Total	392	145	170%
Total waste	53,421	56,222	-5%

5. EU Taxonomy

The BasicNet Group during 2022, as part of its non-financial reporting journey, became aware of the European taxonomy as governed by EU Regulation 2020/852 of the European Parliament and Council of June 18, 2020.

The Taxonomy Regulation provides a definition of economic activities that are considered environmentally sustainable. To qualify as environmentally sustainable, an economic activity must, among other things, contribute substantially to one or more of the six objectives set forth in Article 9 of the regulation. On June 4, 2021, a delegated act was adopted that defines the technical selection criteria that specific activities must meet to be aligned with the first two environmental goals: climate change mitigation and climate change adaptation. For the remaining four environmental objectives (sustainable use and protection of water and marine resources, transition to a circular economy, pollution prevention and control, and protection and restoration of biodiversity and ecosystems), no delegated act has yet been adopted.

Therefore, the disclosure regarding the European taxonomy for fiscal year 2022, in continuity with 2021, concerns only the environmental objectives of climate change mitigation and adaptation; subsequent assessments will be made following the publication of the delegated act under the other four objectives and consequently the economic activities related to them.

In accordance with applicable rules, the Group will announce in 2022 the proportion of “eligible” economic activities, and subsequently whether they are “aligned” or “not aligned” with the taxonomy for total revenue, capex and opex.

The currently available definitions included in the EU taxonomy are broadly worded, leading companies to have to interpret how this applies to their business activities and its impact on eligibility. The Group has applied its own judgment, interpretations and assumptions based on currently available information, reports issued on the subject and previously published examples. Documents and delegated acts published in the future may lead to more accurate definitions and thus other decision-making processes for fulfilling reporting requirements that may come into effect, which could impact future EU taxonomy reporting.

¹⁷ The weight of batteries was estimated based on the weight (in kg) of a battery and the number of batteries disposed of during the year. The weight of plastic was estimated on the basis of the weight (in kg) of bottles of water and the number of bottles disposed of during the year. The weight of toner was extrapolated from the formulas of the company specialised in toner disposal. The weight of paper/cardboard was extrapolated from the communications of the company in charge of paper and cardboard disposal. The paper weight also includes an estimate of the weight of paper cups introduced in 2021 in water dispensers to replace plastic cups, the weight of which was estimated in kilograms based on the weight of a single cup.

The process of defining the eligibility of economic activities with respect to the European taxonomy involved an analysis of the activities carried out by the Group not limited to the Ateco code (77.40: Concession of rights to exploit intellectual property and similar products¹⁸), i.e., those activities that contribute to the formation of turnover, being core business, but also extended to those activities that contribute to the formation of capex and opex, as required by law.

In light of the above and given the type of business conducted by the Group, i.e. developing the value of brands and disseminating related products through a global network of licensees, it is not believed that the sector in which BasicNet operates and the activities in general carried out by the Group are considered relevant by EU Regulation 2020/852 for the purposes of climate change-related objectives.

Thus, in line with the delegated act, the proportions of turnover, capex and opex eligible and aligned according to the objectives of climate change mitigation and adaptation are 0%.

¹⁸ Equivalent NACE code: N77.4.0 - Leasing of intellectual property and similar products, except copyrighted works.

Appendix

The following table presents the sustainability topics deemed material to the BasicNet Group, correlated with a description of the positive, negative, current and potential impacts BasicNet has, or could have, on the economy, environment and people, including impacts on human rights, in accordance with the requirements of the GRI Standards 2021.

Material aspects		Description of impacts
Governance, Compliance and Economic Responsibility	Combatting corruption	BasicNet through the implementation of anti-corruption activities fosters the creation of a culture centred on fairness and respect for ethical values and principles, inside and outside the corporate perimeter. This discourages in external stakeholders, and in particular suppliers, corrupt behavior that, if enacted, could lead to a termination of the professional relationship as well as potential legal, criminal or economic consequences.
	Business Ethics and Compliance	Through the implementation of effective, accountable governance practices that are guided by compliance with laws and regulations, BasicNet can improve business management and avoid unfavorable market situations that, through economic and competitive losses, could directly harm internal and external stakeholders. Proper management of this issue enables the development of a stimulating and motivating work environment, fosters the personal growth of its employees, and increases the chances of their engagement and empowerment. Conversely, paying little attention to this issue would potentially result in the emergence of a feeling of mistrust on the part of stakeholders, particularly employees, which could harm the advancement of their professional development with consequent negative economic implications.
	Promotion of economic development	The proper promotion of economic development allows, through increased competitiveness and greater readiness for future investments and projects, to create value for all of BasicNet's stakeholders and makes it possible to avoid a potential default that would negatively impact these stakeholders.
Responsibility in the value chain	R&D and Innovation	The promotion of innovative activities within the company and along the entire value chain generates positive impacts on human resources, who, attracted and motivated by the potential offered by BasicNet, can increase their skills and knowledge. At the same time, the environment and communities can benefit from the use of innovative, low-impact techniques and materials in the products and services, while the entire industry is potentially propelled toward continuous improvement by the research fostered by BasicNet and its companies by following its lead from the competitive advantage that results.
	Responsible and transparent procurement	Careful selection and continuous monitoring of its suppliers, sourcing centers and licensees based on ethical and social criteria enables the development of a respectful and safe working environment for workers throughout the supply chain. This generates accountability along the value chain by reducing the possibility of image damage to the industry.
	Data Security and Protection	The mishandling of data and information regarding the company's activities and those with whom it deals can lead to serious legal, criminal and economic consequences for some key stakeholders, as a result, for example, of data leakage with potential exposure of sensitive data. On the contrary, effective data protection can generate an important source of information that is useful for creating new relationships with licensees, suppliers, and sourcing centers and for industry development.
	Quality products and the fight against counterfeiting	Developing high quality products involves creating a strong corporate identity and strengthening the trust of stakeholders (customers, licensees, and sourcing centers) in the "consumer goods" sector and industry. In fact, poor quality and counterfeit products seriously harm the image of the industry, while BasicNet's fight against these practices, mainly related to "fast fashion," positively affects the target market.
	Customer engagement and satisfaction	Taking customer feedback into consideration is a vitally important element in designing products that are always tailored to customer needs and, consequently, in ensuring customer satisfaction and stimulating customer engagement in the business. Failure to engage customers could potentially lead them toward choosing products of lower quality and greater environmental impact.

Material aspects		Description of impacts
Social responsibility	Management and development of human resources	Proper attention to the management and development of human resources enables the creation of a satisfying and stimulating work environment, thus promoting the attraction of new talent, and avoiding the phenomenon of "brain drain". Conversely, mismanagement of human resources and failure to provide incentives for their development would lead to the emergence of a poor business environment and the eventual loss of employees and contractors, with a potential effect of increasing the level of unemployment in the area.
	Diversity and equal opportunity	By supporting the principles of diversity and equal opportunity, BasicNet promotes collaboration and fosters a safe and inclusive work environment for its employees and talented first-time employees.
	Employee well-being and satisfaction	Human resources are of great importance to BasicNet, which undertakes all activities necessary to ensure their well-being and satisfaction, resulting in increased efficiency and productivity and stimulating the creation of new ideas. Failure to pay proper attention to employees, new hires and contractors has the potential to create a sense of internal dissatisfaction that would prompt them to leave a secure job, increasing turnover and thus potentially increasing the level of unemployment in the area.
	Employee health and safety	Occupational health and safety issues make it possible, if properly managed, to create a safe and respectful work environment in which employees can best develop their skills, feel satisfied, and are constantly protected and listened to. In the event that rules and regulations are not complied with and work-related injuries occur, the business climate may deteriorate and business activities may potentially be suspended, negatively impacting workers in professional, economic, legal and health terms.
	Human Rights	A value chain that respects human rights enables the creation of an ethical and fair business climate, free from prejudice and incidents of violence and discrimination. Failure to monitor and disseminate BasicNet's good practices, along the value chain, can potentially lead to the occurrence of harm to individuals as a result of a violation of their rights, generating for the licensee, sourcing center or any other stakeholder involved possible legal, criminal and economic consequences.
Environmental responsibility	Protection of ecosystems and efficient use of resources	Through efficient management of its resources and environmentally conscious choices, BasicNet is able to contribute to the spread of good practices among its suppliers by incentivizing clean energy production and consequently reducing the negative environmental impact they cause to the soil, atmosphere and biodiversity through the use of fossil fuels. Such care in choosing green energy sources also reduces the risk of legal and criminal consequences for these same suppliers and can lead to economic benefits in the medium to long term.
	Waste management and circularity	Proper waste management and an incentive to adopt circularity practices company-wide and along the entire value chain raises awareness and informs and educates employees and contractors with respect to these issues. In fact, inefficient waste management and related misinformation have as a direct consequence the potential to create real risks of social and environmental damage, particularly to soil and groundwater, which BasicNet is committed to reducing and avoiding wherever possible in its operations.
	Climate change adaptation and mitigation	Through its activities, BasicNet, despite the fact that its business does not involve the "active production" of products, works and is committed to the prevention of the increase of greenhouse gases. The ultimate goal is to reduce its contribution to the environmental and social damage on local territories and communities caused by climate change, which would generate, in addition, economic damage. These activities, along with the promotion of good climate change adaptation and mitigation practices, additionally entail the opportunity for relevant stakeholders (licensees, sourcing centers etc.) to reduce operating costs and incentivise the attraction of potential environmental investments.

GRI Content Index

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

Material aspects	GRI Standards aspects	Correlation to themes referred to in Legislative Decree 254/2016	Stakeholders impacted	Type of impact
Business ethics and Compliance	- GRI 206: Anti-competitive conduct (2016) - GRI 207: Tax (2019)	Combatting corruption active and passive	BasicNet Group; Suppliers; Sourcing Centers; Licensees; PA; government and control bodies, Investors, Shareholders and the financial community	Caused by the Group
Combatting corruption	- GRI 205: Anti-corruption (2016)	Combatting corruption active and passive	BasicNet Group; Investors, Shareholders and the financial community; Suppliers; Sourcing Centers; Licensees; Public Sector; government and control bodies, Group Resources	Caused by the Group
Promotion of economic development	- GRI 203: Indirect economic impacts (2016)	Social	BasicNet Group; Investors, Shareholders and the financial community; Sourcing Centers; Licensees; Franchises; Local community and society	Caused by the Group
R&D and Innovation	- n/a	n/a	BasicNet Group; Sourcing Centers; Licensees; Customers and consumers; Group Resources	Caused by the Group
Responsible and transparent procurement	- GRI 414: Assessment of suppliers according to social criteria (2016)	Social Human Rights	BasicNet Group; Suppliers; Sourcing Centers	Contribution of the Group; Related to Group activities
Data Security and Protection	- GRI 418: Customer privacy (2016)	Social	BasicNet Group; Sourcing Centers; Licensees, Suppliers	Caused by the Group; Related to Group activities
Quality products and the fight against counterfeiting	- GRI 417: Marketing and labelling (2016)	Social	BasicNet Group; Sourcing Centers; Licensees; Customers and consumers; Franchisees	Caused by the Group; Related to Group activities
Customer engagement and satisfaction	n/a	Social	BasicNet Group; Customers and consumers; Franchisees	Caused by the Group;

Material aspects	GRI Standards aspects	Correlation to themes referred to in Legislative Decree 254/2016	Boundary	Type of impact
Management and development of human resources	<ul style="list-style-type: none"> - GRI 401: Employment (2016) - GRI 404: Training and education (2016) 	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
Diversity and equal opportunities	<ul style="list-style-type: none"> - GRI 405: Diversity and equal opportunity (2016) - GRI 406: Non-Discrimination (2016) 	Related to personnel	BasicNet Group; Group resources; Franchisees; PAs, government and oversight bodies	Caused by the Group
Employee well-being and satisfaction	<ul style="list-style-type: none"> - GRI 401: Employment (2016) 	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
Employee Health and Safety	<ul style="list-style-type: none"> - GRI 403: Occupational Health and Safety (2018) 	Related to personnel	BasicNet Group; Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees	Caused by the Group; Related to Group activities
Human Rights	n/a	Human rights	BasicNet Group; Group resources; Suppliers; Sourcing Center; Licensees; Franchisees; PAs, government and oversight bodies	Related to Group activities
Protection of ecosystems and efficient use of resources	<ul style="list-style-type: none"> - GRI 302: Energy (2016) 	Environmental	BasicNet Group; Public Sector, government and control bodies; local communities and society	Caused by the Group
Climate change adaptation and mitigation	<ul style="list-style-type: none"> - GRI 305: Emissions (2016) 	Environmental	BasicNet Group; Public Sector, government and control bodies; local communities	Caused by the Group
Waste management and circularity	<ul style="list-style-type: none"> - GRI 306: Waste (2020) 	Environmental	BasicNet Group; PA, government and control bodies; local communities, Group Resources	Caused by the Group

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

Declaration of use	The BasicNet Group presented this report in accordance with the GRI Standards for the period from January 1, 2022 to December 31, 2022.
Use GRI 1	GRI 1 - Core Principles - 2021 version

GRI-Standards		Page	Notes/Omissions ¹⁹
GRI 2 GENERAL DISCLOSURE			
The organization and its reporting practices			
2-1	Organizational details	6-10, 12	
2-2	Entities included in the organization's sustainability reporting	61-62	
2-3	Reporting period, frequency and contact point	61-62	
2-4	Restatements of information	61-62	
2-5	External assurance	98	
Activities and workers			
2-6	Activities, value chain and other business relationships	6-18, 59, 62, 70-72	
2-7	Employees	74-76	
2-8	Workers who are not employees	74-76	
Governance			
2-9	Governance structure and composition	2, 30-31, 33-47	
2-10	Nomination and selection of the highest governance body	36-37	
2-11	Chair of the highest governance body	2, 38, 40-41, 50-51	
2-12	Role of the highest governance body in overseeing the management of impacts	39-41, 47	
2-13	Delegation of responsibility for managing impacts	46-47, 52	
2-14	Role of the highest governance body in sustainability reporting	47, 62	
2-15	Conflicts of interests	50-51	
2-16	Communication of critical concerns	47-49	
2-17	Collective knowledge of the highest governance body	39, 79	
2-18	Evaluation of the performance of the highest governance body	47	
2-19	Remuneration policies	34, 44-45	
2-20	Process to determine remuneration	34, 44-45	
2-21	Annual total compensation ratio	79	

¹⁹ The "Notes/Omissions" column presents information on the coverage of the indicators and any limitations to the reporting boundary.

Strategy, policies and practices			
2-22	Statement on sustainable development strategy	4-5	
2-23	Privacy commitments	46-51, 72-73	
2-24	Embedding policy commitments	39, 44, 48-51, 56, 72	
2-25	Processes to remediate negative impacts	20-23, 46-47, 49, 64-65, 66-67, 69, 70-72, 73-74, 75-77, 79-84, 85-87, 89-92	
2-26	Mechanisms for seeking advice and raising concerns	49, 73-74	
2-27	Compliance with laws and regulations	23-24	
2-28	Membership associations	63	
Stakeholder engagement			
2-29	Approach to stakeholder engagement	63-65	
2-30	Collective bargaining agreements	79	
Information on material topics			
3-1	Process to determine material topics	61-65	
3-2	List of material topics	61-62, 65, 89-90	
SPECIFIC STANDARD DISCLOSURES			
Business ethics and Compliance			
GRI 3: Managerial approach			
3-3	Management of material topics	46-51, 64-65, 89-92	
GRI 206: Anti-competitive conduct (2016)			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	94	As for 2021, during 2022 no legal actions for anti-competitive behavior, anti-trust, and monopoly practices were reported.
GRI 3: Managerial approach			
3-3	Management of material topics	23-24, 64-65, 69, 89-92	
GRI 207: Tax (2019)			
207-1	Approach to tax	69	
207-2	Tax governance, control and risk management	23-24, 69	
207-3	Stakeholder engagement and management of concerns related to tax	23-24, 69	
207-4	Country-by-country reporting	94	Information not available For the year 2022, the Company does not report the information as required by GRI 207-4, for reasons related to the reporting and internal control process of the data with the level of detail required for each tax jurisdiction. Therefore, the Company is committed to sourcing the data and information necessary to cover the disclosures for future reporting years.

Combatting corruption			
GRI 3: Managerial approach			
3-3	Management of material topics	46-51, 64-65, 89-92	
GRI 205: Anti-corruption (2016)			
205-2	Communication and training about anti-corruption policies and procedures	48-51	
Promotion of economic development			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 65-69, 89-92	
GRI 203: Indirect economic impacts (2016)			
203-2	Significant indirect economic impacts	65-69	
Responsible and transparent procurement			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 70-72, 89-92	
GRI 414: Assessment of suppliers according to social criteria (2016)			
414-1	New suppliers that were screened using social criteria	66-67, 70-72	
Data Security and Protection			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 72-74, 89-92	
GRI 418: Customer privacy (2016)			
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	95	As for 2021, during 2022 no complaints against privacy violation were received.
Quality products and the fight against counterfeiting			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 73-74, 89-92	
GRI 417: Marketing and labelling (2016)			
417-1	Requirements for product and service information and labelling	73-74	
Management and development of human resources			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 77-79, 89-92	
GRI 404: Training and education (2016)			
404-1	Average hours of training per year per employee	78	
404-2	Programs for upgrading employee skills and transition assistance programs	77-79	
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 74-76, 89-92	
GRI 401: Employment (2016)			
401-1	New employee hires and employee turnover	75	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	79-80	

Diversity and equal opportunities			
GRI 3: Managerial approach			
3-3	Management of material topics	37-39, 64-65, 76-77, 89-92	
GRI 405: Diversity and equal opportunity (2016)			
405-1	Diversity of governance bodies and employees	37-39, 76-77	
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 76-77, 89-92	
GRI 406: Non-Discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	96	As in 2021, there were no reported instances of discrimination within the Group during the year 2022.
Employee well-being and satisfaction			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 76-77, 89-92	
GRI 401: Employment (2016)			
401-1	New employee hires and employee turnover	75	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	79-80	
Employee Health and Safety			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 80-84, 89-92	
GRI 403: Occupational Health and Safety (2018)			
403-1	Occupational health and safety management system	80-84	
403-2	Hazard identification, risk assessment, and incident investigation	80-84	
403-3	Occupational health services	80-84	
403-4	Worker participation, consultation, and communication on occupational health and safety	80-84	
403-5	Worker training on occupational health and safety	77-79, 80-84	
403-6	Promotion of worker health	80-84	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	80-84	
403-9	Work-related injuries	82-83	
Energy			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 84-86, 89-92	
GRI 302: Energy (2016)			
302-1	Energy consumption within the organization	85-86	
Emissions			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 84-86, 89-92	

GRI 305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	85-86	
305-2	Energy indirect (Scope 2) GHG emissions	85-86	
Waste			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 84, 86-87, 89-92	
GRI 306: Waste (2020)			
306-1	Waste generation and significant waste-related impacts	86-87	
306-2	Management of significant waste-related impacts	86-87	
306-3	Hazardous waste	87	
R&D and Innovation			
GRI 3: Managerial approach			
3-3	Management of material topics	26-27, 64-65, 89-92	
Customer engagement and satisfaction			
GRI 3: Managerial approach			
3-3	Management of material topics	64-65, 70-74, 89-92	
Human Rights			
GRI 3: Managerial approach			
3-3	Management of material topics	47-50, 64-65, 65-68, 76-79, 89-92	

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

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

Ai sensi dell'articolo 3, comma 10, del Decreto Legislativo 30 dicembre 2016, n. 254 (di seguito "Decreto") e dell'articolo 5 del Regolamento CONSOB n. 20267/2018, siamo stati incaricati di effettuare l'esame limitato (*"limited assurance engagement"*) della dichiarazione consolidata di carattere non finanziario della BasicNet S.p.A. e sue controllate (di seguito "Gruppo" o "Gruppo BasicNet") relativa all'esercizio chiuso al 31 dicembre 2022 predisposta ai sensi dell'art. 4 del Decreto, presentata nella specifica sezione della Relazione sulla gestione e approvata dal Consiglio di Amministrazione in data 9 marzo 2023 (di seguito "DNF").

L'esame limitato da noi svolto non si estende alle informazioni contenute nel paragrafo "5. EU Taxonomy" della DNF, richieste dall'art.8 del Regolamento europeo 2020/852.

Responsabilità degli Amministratori e del Collegio Sindacale per la DNF

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

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

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

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

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

Indipendenza della società di revisione e controllo della qualità

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

Responsabilità della società di revisione

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

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

In particolare, abbiamo svolto le seguenti procedure:

1. analisi dei temi rilevanti in relazione alle attività ed alle caratteristiche del Gruppo rendicontati nella DNF, al fine di valutare la ragionevolezza del processo di selezione seguito alla luce di quanto previsto dall'art. 3 del Decreto e tenendo presente lo standard di rendicontazione utilizzato;
2. analisi e valutazione dei criteri di identificazione del perimetro di consolidamento, al fine di riscontrarne la conformità a quanto previsto dal Decreto;
3. comparazione tra i dati e le informazioni di carattere economico-finanziario inclusi nella DNF ed i dati e le informazioni inclusi nel bilancio consolidato del Gruppo BasicNet;
4. comprensione dei seguenti aspetti:
 - o modello aziendale di gestione e organizzazione dell'attività del Gruppo, con riferimento alla gestione dei temi indicati nell'art. 3 del Decreto;
 - o politiche praticate dal Gruppo connesse ai temi indicati nell'art. 3 del Decreto, risultati conseguiti e relativi indicatori fondamentali di prestazione;
 - o principali rischi, generati o subiti connessi ai temi indicati nell'art. 3 del Decreto.Relativamente a tali aspetti sono stati effettuati inoltre i riscontri con le informazioni contenute nella DNF e effettuate le verifiche descritte nel successivo punto 5, lett. a).

5. comprensione dei processi che sottendono alla generazione, rilevazione e gestione delle informazioni qualitative e quantitative significative incluse nella DNF.

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

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

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

Conclusioni

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che la DNF del Gruppo BasicNet relativa all'esercizio chiuso al 31 dicembre 2022 non sia stata redatta, in tutti gli aspetti significativi, in conformità a quanto richiesto dagli articoli 3 e 4 del Decreto e dai GRI Standards.

Le nostre conclusioni sulla DNF del Gruppo non si estendono alle informazioni contenute nel paragrafo "5. EU Taxonomy" della stessa, richieste dall'art.8 del Regolamento europeo 2020/852.

Torino, 20 marzo 2023

EY S.p.A.

Stefania Boschetti
(Revisore Legale)

**FINANCIAL STATEMENTS
AND EXPLANATORY NOTES OF THE BASICNET GROUP
AT DECEMBER 31, 2022**

CONSOLIDATED FINANCIAL STATEMENTS AND EXPLANATORY NOTES

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

BASICNET GROUP CONSOLIDATED INCOME STATEMENT

<i>(Euro thousands)</i>	<i>Note</i>	FY 2022		FY 2021		Changes	
Consolidated direct sales	(9)	312,711	100.00	241,635	100.00	71,076	29.41
Cost of sales	(10)	(188,537)	(60.29)	(143,628)	(59.44)	(44,909)	(31.27)
GROSS MARGIN		124,174	39.71	98,007	40.56	26,167	26.70
Royalties and sourcing commissions	(11)	72,305	23.12	54,763	22.66	17,542	32.03
Other income	(12)	7,954	2.54	10,066	4.17	(2,112)	(20.98)
Sponsorship and media costs	(13)	(35,013)	(11.20)	(36,231)	(14.99)	1,218	3.36
Personnel costs	(14)	(38,301)	(12.25)	(31,043)	(12.85)	(7,258)	(23.38)
Selling, general and administrative costs, royalties expenses	(15)	(70,187)	(22.44)	(51,312)	(21.24)	(18,875)	(36.78)
Amortisation and Depreciation	(16)	(14,821)	(4.74)	(12,630)	(5.23)	(2,191)	(17.35)
EBIT		46,111	14.75	31,620	13.09	14,491	45.83
Net financial income (charges)	(17)	(2,784)	(0.89)	(1,891)	(0.78)	(894)	(47.25)
Management of equity investments	(18)	(6)	(0.00)	(6)	(0.00)	-	-
PROFIT BEFORE TAXES		43,320	13.85	29,723	12.30	13,597	45.74
Income taxes	(19)	(13,283)	(4.25)	(9,393)	(3.89)	(3,889)	(41.40)
NET PROFIT FOR THE YEAR		30,037	9.61	20,330	8.41	9,707	47.75
Earnings per share:	(20)						
– basic		0.5994		0.3965		0.203	51.28
– diluted		0.5994		0.3965		0.203	51.28

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

<i>(Euro thousands)</i>	<i>Note</i>	December 31, 2022	December 31, 2021
<i>Profit for the year (A)</i>		30,037	20,330
Effective portion of the Gains/(losses) on cash flow hedges		(3,598)	3,793
Re-measurement of post-employment benefits (IAS 19) (*)		431	(108)
Gains/(losses) from translation of accounts of foreign subsidiaries		315	628
Tax effect on other profits/(losses)		767	(905)
<i>Total other gains/(losses), net of tax effect (B)</i>	<i>(34)</i>	(2,085)	3,408
Total Comprehensive Profit (A)+(B)		27,952	23,738

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

BASICNET GROUP CONSOLIDATED BALANCE SHEET

<i>(Euro thousands)</i>	<i>Note</i>	December 31, 2022	December 31, 2021
Intangible assets	(21)	67,479	65,748
Right-of-use	(22)	29,911	23,119
Goodwill	(23)	41,853	11,840
Property, plant and equipment	(24)	56,503	47,276
Equity invest. & other financial assets	(25)	794	1,099
Interests in joint ventures	(26)	184	191
Deferred tax assets	(27)	7,727	7,737
Total non-current assets		204,451	157,010
Net inventories	(28)	124,983	63,622
Trade receivables	(29)	80,887	53,120
Other current assets	(30)	9,852	11,239
Prepayments	(31)	12,454	12,654
Cash and cash equivalents	(32)	19,476	28,548
Derivative financial instruments	(33)	1,011	1,596
Total current assets		248,663	170,779
TOTAL ASSETS		453,114	327,789

<i>(Euro thousands)</i>	<i>Note</i>	December 31, 2022	December 31, 2021
Share capital		31,717	31,717
Reserve for treasury shares in portfolio		(13,955)	(30,648)
Other reserves		101,347	112,423
Net Profit		30,037	20,330
TOTAL SHAREHOLDERS' EQUITY	(34)	149,146	133,822
Provisions for risks and charges	(35)	1,792	590
Loans	(36)	52,014	34,783
Payables for rights-of-use	(38)	30,734	24,041
Other financial payables	(39)	9,749	-
Employee and Director benefits	(40)	3,278	4,902
Deferred tax liabilities	(41)	7,004	6,451
Other non-current liabilities	(42)	1,976	1,368
Total non-current liabilities		106,547	72,135
Bank payables	(37)	61,338	31,466
Trade payables	(43)	100,074	66,517
Tax payables	(44)	9,737	9,131
Other current liabilities	(45)	17,069	8,973
Accrued expenses	(46)	6,147	5,703
Derivative financial instruments	(47)	3,054	42
Total current liabilities		197,420	121,832
TOTAL LIABILITIES		303,967	193,967
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		453,114	327,789

CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021
A) OPENING SHORT-TERM BANK DEBT	6,325	(6,265)
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	30,037	20,330
Amortisation and Depreciation	14,821	12,630
Management of equity investments	6	6
Changes in working capital:		
(Increase) decrease in trade receivables	(26,254)	(70)
(Increase) decrease in inventories	(55,741)	(1,429)
(Increase) decrease in other receivables	3,560	399
. Increase (decrease) in trade payables	29,799	11,642
. Increase (decrease) in other payables	1,843	1,624
Net changes in employee and director benefits	(1,624)	840
Others, net	82	(20)
	(3,471)	45,951
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(4,044)	(5,889)
- intangible assets	(13,346)	(3,214)
- financial assets	-	(338)
- acquired brand K-Way China	-	(1,050)
- acquisition K-Way France	(11,886)	-
Realisable value for fixed asset disposals:		
- tangible assets	-	118
- intangible assets	-	-
- financial assets	-	-
	(29,275)	(10,372)
D) CASH FLOW FROM FINANCING ACTIVITIES		
New medium/long term loans	31,500	-
Loan repayments	(12,066)	(8,762)
Repayment of loans for rights-of-use	(6,822)	(5,113)
Acquisition of treasury shares	(6,537)	(5,969)
Dividend payments	(6,093)	(3,144)
	(17)	(22,988)
E) CASH FLOW IN THE YEAR	(32,763)	12,591
F) CLOSING SHORT-TERM BANK DEBT	(26,438)	6,325

Interest paid for the year amounts to respectively Euro 817 thousand in 2022 and Euro 734 thousand in 2021, while income taxes paid in the year amount respectively to Euro 3.8 million in 2022 and Euro 1.7 million in 2021.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

<i>(Euro thousands)</i>	Reserves							Result	Total Group Shareholders' Equity
	Share capital	Treasury shares	Reserves & Retained earnings	Translation reserve	Remeasurement reserve IAS 19	IFRS16 Reserve	Cash flow hedge reserve		
Balance at December 31, 2020	31,717	(24,679)	105,803	539	(270)	(733)	(1,682)	8,581	119,277
Allocation of result as per Shareholders' AGM resolution of April 8, 2020									
- Reserves & Retained earnings		-	5,437	-	-	-	-	(5,437)	-
- Dividends distributed		-	-	-	-	-	-	(3,144)	(3,144)
Acquisition of treasury shares		(5,969)	-	-	-	-	-	-	(5,969)
2021 Result		-	-	-	-	-	-	20,330	20,330
Other changes/correction of errors from previous years		-	(78)	-	-	-	-	-	(78)
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	628	-	-	-	-	628
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	(82)	-	-	-	(82)
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	2,862	-	2,862
<i>Total comprehensive income</i>		-	-	628	(82)	-	2,862	20,330	23,738
Balance at December 31, 2021	31,717	(30,648)	111,161	1,167	(352)	(733)	1,180	20,330	133,822
Allocation of result as per Shareholders' AGM resolution of 13/4/2022									
- Reserves & Retained earnings		-	14,237	-	-	-	-	(14,237)	-
- Dividends distributed		-	-	-	-	-	-	(6,093)	(6,093)
Acquisition of treasury shares		(6,537)	-	-	-	-	-	-	(6,537)
Cancellation of treasury shares		23,230	(23,230)	-	-	-	-	-	-
2022 Result		-	-	-	-	-	-	30,037	30,037
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	315	-	-	-	-	315
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	327	-	-	-	327
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	(2,727)	-	(2,727)
<i>Total comprehensive income</i>		-	-	315	327	-	(2,727)	30,037	27,952
Balance at December 31, 2022	31,717	(13,955)	102,167	1,483	(25)	(733)	(1,546)	30,037	149,146

CONSOLIDATED NET FINANCIAL POSITION

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021
Cash and cash equivalents	19,476	28,548
Bank overdrafts and bills	(5,977)	(9,313)
Import advances	(39,938)	(12,910)
<i>Sub-total net liquidity available</i>	<i>(26,439)</i>	<i>6,325</i>
Short-term portion of medium/long-term loans	(15,423)	(9,243)
Payables for the purchase of equity investments	(7,332)	-
Short-term net financial position	(49,194)	(2,918)
Medium/long term loans	(51,756)	(34,268)
Payables for rights-of-use	(30,734)	(24,041)
Payables for exercise future share acquisitions	(9,749)	-
Finance lease payables	(259)	(515)
<i>Sub-total loans and leasing</i>	<i>(92,498)</i>	<i>(58,824)</i>
Consolidated Net Financial Position	(141,691)	(61,743)

The following table shows the composition of the Group's net debt as of December 31, 2022 and December 31, 2021, determined in accordance with the "Guidelines on disclosure requirements under the Prospectus Regulation" issued by ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and implemented by Consob with Attention Reminder No. 5/21 of April 29, 2021.

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021
A. Cash	168	123
B. Other cash equivalents	19,308	28,425
C. Securities held for trading	-	-
D. Cash & cash equivalents (A)+(B)+(C)	19,476	28,548
E. Current financial receivables	-	-
F. Current bank payables	(45,915)	(22,223)
G. Current portion of non-current debt	(15,423)	(9,243)
H. Other current financial payables	-	-
I. Current financial debt (F)+(G)+(H)	(61,338)	(31,466)
J. Net current financial debt (I)-(E)-(D)	(41,862)	(2,918)
K. Non-current bank payables	(99,829)	(58,824)
L. Bonds issued	-	-
M. Other non-current financial payables	(2,044)	1,554
No. Trade payables and other non-current payables	-	-
O. Non-current financial debt (K) + (L) + (M) + (N)	(101,873)	(57,270)
P. Net financial debt (J) + (O)	(143,734)	(60,189)

The net financial debt differs from the consolidated net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Notes 33 and 47).

CHANGES IN NET FINANCIAL POSITION

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021
A) OPENING NET FINANCIAL POSITION	(61,743)	(82,162)
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	30,037	20,330
Amortisation and Depreciation	14,821	12,630
Management of equity investments	6	6
Changes in working capital:	(46,793)	12,166
Net changes in employee and director benefits	(1,624)	840
Others, net	82	(20)
	(3,471)	45,951
C) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset investments	(17,390)	(9,103)
Purchase brand Kappa Japan	-	-
Acquisition K-Way China	-	(1,050)
Acquisition K-Way France	(40,987)	-
Change in consolidation scope	-	-
Acquisition of financial assets	-	(338)
Realisable value for fixed asset disposals	-	118
	(58,377)	(10,372)
D) CASH FLOW FROM FINANCING ACTIVITIES		
Registration payables for Right-of-use	(5,471)	(6,581)
Income from right-of-use	-	534
Acquisition of treasury shares	(6,537)	(5,969)
Dividend payments	(6,093)	(3,144)
	(18,100)	(15,160)
E) CASH FLOW IN THE YEAR	(79,948)	20,418
F) CLOSING NET FINANCIAL POSITION	(141,691)	(61,743)

EXPLANATORY NOTES

1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin, Largo Maurizio Vitale 1, listed on the Italian Stock Exchange since November 17, 1999 and its subsidiaries, operate in the sports and casual clothing, footwear and accessories sector through the brands Kappa, Robe di Kappa, Jesus Jeans, K-Way, Superga, Sabelt, Briko and Sebago. Group activities involve the development of the value of the brands and the distribution of their products through a global network of independent licensees.

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

The publication of the consolidated financial statements of BasicNet as at December 31, 2021 was approved by the Board of Directors on March 9, 2023.

2. FORM AND CONTENT

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

This document has been prepared in accordance with IFRS issued by the International Accounting Standards Board (IASB) and approved by the European Union. IFRS include all the revised international accounting standards (IAS) and all interpretations of the International Financial Reporting Interpretations Committee ("IFRIC"), previously known as the Standing Interpretations Committee ("SIC").

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

The Group consolidated financial statements include the financial statements at December 31, 2022 of BasicNet S.p.A. and all the Italian and foreign companies in which the Parent Company holds control - directly or indirectly. For the financial statements of the US, Asian, Spanish, English, Swiss and French subsidiaries, which utilise local accounting standards, as not obliged to adopt IAS/IFRS, the appropriate adjustments were made for the preparation of the consolidated financial statements in accordance with international accounting standards.

The accounting policies utilised for the preparation of the Consolidated Financial Statements at December 31, 2022 are the same as those utilised for the previous year, with the exception of the adoption of new standards and amendments from January 1, 2022. The Group has not adopted in advance any accounting standard, interpretation or amendment issued but not yet in effect.

Accounting standards, amendments and interpretations applied from January 1, 2022

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is one in which the non-discretionary costs (e.g. the costs that the Group cannot avoid because it is a party to a contract) required to fulfil the obligations undertaken are greater than the economic benefits theoretically obtainable from the contract.

The amendment clarifies that in determining whether a contract is onerous or loss-generating, an entity must take into account those costs directly related to the contract for the provision of goods or services which include both incremental costs (e.g. the cost of direct labour and materials) and costs directly attributed to contractual activities (e.g. depreciation of equipment used to fulfil the contract and costs for contract management and supervision).

General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty based on the contract.

These amendments do not have an impact on the Group consolidated financial statements.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 and without a significant change in the standard's requirements.

The amendment also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential "day-after" losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, where contracted separately. The exemption requires that entities apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the date of acquisition. The amendment also adds a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the date of acquisition.

These amendments did not have any impact on the Group consolidated financial statements.

Property, Plant and Equipment: Proceeds before intended Use - Amendment to IAS 16

The amendments prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement.

These amendments did not have any impact on the Group consolidated financial statements.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent company, considering the date of transition to IFRS by the parent company, if no adjustments had been made to the consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

This amendment had no impact on the Group financial statements.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies the fees an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transition rules, the Group will apply this amendment to financial liabilities that are modified or exchanged after or at the date of the first year in which the entity first applies this amendment (first application date). This amendment had no impact on the Group financial statements.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirements in paragraph 22 of IAS 41 for the exclusion of cash flows for taxes when measuring the fair value of an asset within the scope of IAS 41.

This amendment had no impact on the Group's consolidated financial statements as it does not hold assets within the scope of IAS 41 at the reporting date.

3. FINANCIAL STATEMENT FORMAT

The BasicNet Group presents its income statement by nature of cost items; the assets and liabilities are classified as current or non-current. The statement of cash flows was prepared applying the indirect method. The format of the consolidated financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements. With reference to Consob Motion No. 15519 of July 27, 2006, transactions with related parties are described in Note 51 of the consolidated financial statements.

4. CONSOLIDATION PRINCIPLES

The consolidated financial statements were prepared including the financial statements at December 31, 2022 of the Group companies included in the consolidation scope, appropriately adjusted in accordance with the accounting principles adopted by the Parent Company.

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

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

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

Currency	FY 2022		FY 2021	
	Average	At year end	Average	At year end
US Dollar	1.0483	1.0666	1.1809	1.1326
HK Dollar	8.2100	8.3163	9.1810	8.8333
Japanese Yen	137.2988	140.6600	130.2955	130.3800
UK Sterling	0.8534	0.8869	0.8582	0.8403
Swiss Franc	1.0009	0.9847	1.0794	1.0331
Vietnamese Dong	22,515	25,183	27,083	25,819

The criteria adopted for the consolidation were as follows:

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

As illustrated in Attachment 2, at December 31, 2022 the Group is comprised solely of subsidiaries owned directly or indirectly by the Parent Company BasicNet S.p.A., or jointly controlled; there are no associated companies or investments in structured entities.

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

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

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

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

An associate is a company in which the Group holds at least 20% of voting rights or exercises significant influence - however not control or joint control - on the financial and operational policies. A joint venture is a

joint control agreement, in which the parties who jointly hold control maintain rights on the net assets of the entity. Joint control concerns the sharing, under an agreement, of the control of economic activities, which exists only where the decisions regarding such activities requires unanimity by all parties sharing control. Associates and joint ventures are consolidated from the date in which significant influence or joint control begins and until the discontinuation of such. Under the equity method, the investment in an associated company or a joint venture is initially recognised at cost and subsequently the carrying amount is increased or decreased to recognise the associated company's share of the profit or loss after the date of acquisition. The share of profits (losses) of the investment is recognised to the consolidated income statements. Dividends received from the investee reduce the book value of the investment.

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

Consolidation scope

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

Information by business segment and geographic area

Two operating segments have been identified within the BasicNet Group: i) apparel, footwear and accessories and ii) real estate. The relevant information is reported in Note 7.

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

5. ACCOUNTING POLICIES

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

The main accounting policies adopted for the preparation of the consolidated financial statements at December 31, 2022, in line with those utilised in the previous year, are disclosed below.

Revenue recognition

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

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

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

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

Recognition of costs and expenses

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

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

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

Interest income and expenses, and income and charges

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

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

Translation of balances in foreign currencies

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

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

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

Income taxes

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

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

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

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

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

Earnings per share/ Diluted earnings per share

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

The diluted earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the average weighted number of shares outstanding, taking into account the effects of all the potential ordinary shares with dilution effects. In 2022, there were no diluting effects on the shares.

Provisions and contingent liabilities

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

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

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

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

Use of estimates

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

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

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

Intangible assets

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

Software development

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

Concessions, brands and similar rights

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

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

The patent rights are amortised over ten years.

Other intangible assets

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

Business combinations

Business combinations are recognised according to the acquisition method.

According to this method, the amount transferred in a business combination is recognised at fair value, calculated as the sum of the fair value of the assets transferred and the liabilities assumed by the Group at the acquisition date. Transaction costs are recognised to profit or loss when they are incurred.

Goodwill is calculated as the excess of the amounts transferred to the business combination, of the value of minority interests' net equity and the fair value of any holding previously held in the acquired company compared to the fair value of the net assets acquired and liabilities assumed at the acquisition date. If the value of the net assets acquired and the liabilities assumed at the acquisition date exceeds the sum of amounts transferred, any non-controlling interest and the fair value of any previously held interests in the acquiree, this excess is immediately recognized in profit or loss as income deriving from the business combination.

If the initial values of a business combination are incomplete at the period-end in which the business combination took place, the Group reports in its consolidated financial statements the provisional values of the items for which the final calculations could not be made. These provisional values are adjusted in the measurement period to take account of the new information obtained on the facts and circumstances existing at the acquisition date which, if known, would have had effects on the value of assets and liabilities recognised at this date.

Goodwill**Property, plant and equipment**

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

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

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

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

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

Ordinary maintenance costs are fully charged to the income statement.

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

The historic value of land is not depreciated.

Leased assets

Usage right assets

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

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

Right-of-use assets are subject to impairment.

Lease liabilities

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

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

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

Short-term leases and low value asset leases

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

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

Impairments

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

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

Measuring recoverable amount

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

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

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

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

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

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

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

Write-back of value

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

Investments

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

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

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

Net inventories

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

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

Financial instruments

Trade receivables and debt securities issued are recognised as they arise. All other financial assets and liabilities are initially recognised on the trading date, i.e. when the Group becomes a contractual party to the financial instrument.

With the exception of trade receivables without a material financing component, financial assets are initially recognised at fair value increased or reduced, in the case of financial assets or liabilities not measured at FVTPL, by the costs directly attributable to the transaction.

Upon initial recognition, a financial asset is classified according to how it is measured: at amortised cost, at fair value through other comprehensive income (FVOCI) and at fair value through profit or loss (FVTPL).

Financial assets are not reclassified following initial recognition unless the Group modifies the business model within which the assets are held. In such cases, all the affected financial assets are reclassified on the first day of the first reporting period following the change of the business model.

A financial asset shall be measured at amortized cost if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is the holding of financial assets for the collection of the contractual cash flows; and
- the contractual terms of the financial assets establish, at certain dates, cash flows represented entirely by the payment of capital and of interest on the amount of capital to be repaid.

In subsequent measurement, assets in this category are measured at amortised cost, using the effective interest rate. The effects of this measurement are recognised to financial income components. These assets are also subject to the impairment model described under Trade receivables, financial receivables, and other current and non-current receivables.

A financial asset must be measured at FVOCI if both of the following conditions are met and it is not designated at FVTPL:

- the financial asset is held within a business model whose objective is achieved both through the collection of contractual cash flows and the sale of the financial assets; and
- the contractual terms of the financial assets establish, at certain dates, cash flows represented entirely by the payment of capital and of interest on the amount of capital to be repaid.

Upon initial recognition of an equity security not held for trading purposes, the Group may make an irrevocable election to present subsequent changes in fair value in other comprehensive income. This choice is made for each asset. In subsequent measurement, the valuation made at recognition is updated, and any changes in fair value are recognised to the comprehensive income statement.

All financial assets not classified as measured at amortized cost or FVOCI, as noted above, are measured at FVTPL. Upon initial recognition, the Group may irrevocably designate the financial asset as measured at fair value through profit or loss if doing so eliminates or significantly reduces an accounting mismatch that would otherwise result from measuring the financial asset at amortized cost or FVOCI.

In subsequent measurement, FVTPL financial assets are measured at fair value. Gains and losses arising from fair value changes are recognised in the consolidated income statement in the period in which they occur.

Financial assets are derecognized when the contractual rights to the cash flows from them expire, when the contractual rights to receive the cash flows as part of a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred, or when the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset and does not retain control of the financial asset.

Financial liabilities are classified as measured at amortised cost or FVTPL.

A financial liability is classified at FVTPL when it is held for trading, represents a derivative, or is designated as such upon initial recognition. Financial liabilities at FVTPL are measured at fair value and any changes, including interest expense, are recognized in profit/(loss) for the year.

Other financial liabilities are subsequently measured at amortised cost using the effective interest method. Interest expense and exchange rate gains and losses are recognized in the income statement, as are any gains or losses from derecognition.

Trade receivables

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

Cash and cash equivalents

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

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

Prepayments and accrued income

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

Treasury shares

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

Provisions for risks and charges

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

Employee benefits

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

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

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

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

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

Payables

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

Cash flow hedges and accounting of relative operations

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

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

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

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

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

After their initial recognition, they are accounted as follows:

a) Fair value hedges

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

b) Cash flow hedges

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

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

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

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

Fair value

The Group applies IFRS 13 for fair value measurement and for the relevant information when such a measurement is required or permitted by other accounting standards. Specifically, the accounting standard defines the fair value as the price that would be received for the sale of an asset, or that would be paid to transfer a liability in an arm's length transaction at the measurement date.

Hierarchy of Fair Value according to IFRS 7

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

The IFRS 7 classification implies the following hierarchy:

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

6. **OTHER INFORMATION**

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

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

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

7. **DISCLOSURE BY OPERATING SEGMENT**

The BasicNet Group identifies two reporting segments, as outlined extensively in the Directors' Report:

- "Clothing, footwear and accessories," encompasses the development of proprietary brands and the distribution of related products both directly and through a global network of licensee companies. The following Group companies are included: BasicNet S.p.A., Basic Properties America, Inc., BasicNet Asia Ltd., BasicNet Asia Company Limited (Vietnam) Ltd, Kappa S.r.l. (previously Basic Trademark S.r.l.) and the subsidiary KappaRetail S.r.l., the Kappa France Group, Jesus Jeans S.r.l., Fashion S.r.l., Sebago S.r.l. (previously TOS S.r.l.), Superga S.r.l., BasicAir S.r.l., K-Way S.p.A. and its subsidiaries K-Way France S.a.s., K-WayRetail S.r.l. and K-WayRetail SUISE S.A., BasicItalia S.p.A. and its subsidiary BasicRetail S.r.l.;
- "Property", which includes the management of the Group's real estate properties.

It is recalled that during the year, the BasicNet Group continued the corporate reorganisation of the brands, in order to concentrate in a single company all operations, both license management and of the direct sales channels of each brand, initiated in the previous year with the K-Way® brand: this operation shall facilitate a greater focus on each brand in the BasicNet portfolio.

December 31, 2022 (In Euro thousands)	Clothing, footwear and accessories	Property	Inter-segment eliminations	Consolidated
Direct sales – third parties	312,711	-	-	312,711
(Cost of sales)	(188,537)	-	-	(188,537)
GROSS MARGIN	124,174	-	-	124,174
Royalties and sourcing commissions – third parties	72,305	-	-	72,305
Other income - third parties	6,701	5,759	(4,506)	7,954
(Sponsorship and media costs)	(35,013)	-	-	(35,013)
(Personnel costs)	(38,253)	(48)	-	(38,301)
(Selling, general and administrative costs, royalties expenses)	(68,291)	(3,572)	1,677	(70,187)
Amortisation and Depreciation	(15,515)	(2,028)	2,723	(14,821)
EBIT	46,107	111	(107)	46,111
Financial income	6,640	4	-	6,644
(Financial charges)	(9,217)	(342)	130	(9,429)
Share of profit/(loss) of investments	(6)	-	-	(6)
PROFIT BEFORE TAXES	43,524	(228)	24	43,320
Income taxes	(13,237)	(48)	2	(13,283)
NET PROFIT	30,288	(276)	26	30,037
Significant non-cash items:				
Income from right-of-use	-	-	-	-
Amortisation and Depreciation	(15,515)	(2,028)	2,723	(14,821)
Write-downs	-	-	-	-
Total non-cash items	(15,515)	(2,028)	2,723	(14,821)
Segment assets and liabilities:				
Assets	412,751	47,702	(7,339)	453,114
Liabilities	286,517	38,336	(20,886)	303,967

December 31, 2021 (In Euro thousands)	Clothing, footwear and accessories	Property	Inter-segment eliminations	Consolidated
Direct sales – third parties	241,635	-	-	241,635
(Cost of sales)	(143,628)	-	-	(143,628)
GROSS MARGIN	98,007	-	-	98,007
Royalties and sourcing commissions – third parties	54,763	-	-	54,763
Other income - third parties	9,513	4,059	(3,506)	10,066
(Sponsorship and media costs)	(36,236)	-	5	(36,231)
(Personnel costs)	(31,003)	(40)		(31,043)
(Selling, general and administrative costs, royalties expenses)	(49,970)	(2,286)	943	(51,312)
Amortisation and Depreciation	(13,332)	(1,723)	2,426	(12,630)
EBIT	31,742	10	(132)	31,620
Financial income	5,194	-	-	5,194
(Financial charges)	(7,141)	(121)	178	(7085)
Share of profit/(loss) of investments	(6)	-	-	(6)
PROFIT BEFORE TAXES	29,788	(111)	46	29,723
Income taxes	(9,389)	(5)	-	(9,393)
NET PROFIT	20,400	(116)	46	20,330
Significant non-cash items:				
Income from right-of-use	546	-	-	546
Amortisation and Depreciation	(13,332)	(1,723)	2,426	(12,630)
Write-downs	-	-	-	-
Total non-cash items	(12,786)	(1,723)	2,426	(12,083)
Segment assets and liabilities:				
Assets	313,520	38,700	(24,431)	327,789
Liabilities	187,107	28,699	(21,839)	193,967

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

- the "Clothing, footwear and accessories" segment reports net royalties and sourcing commissions of Euro 72.3 million in 2022, compared to Euro 54.8 million in the previous year. Direct sales are also reported of Euro 312.7 million, compared to sales in the previous year of Euro 241.6 million, thanks also to the inclusion in the consolidation scope of K-Way France. The contribution margin on sales was Euro 124.2 million, compared to Euro 98.0 million in 2021. The revenue margin was 39.7% (40.6% in 2021). Personnel costs increased on the previous year, due to the reduced access to social security supports and the reduced period of Group directly managed sales point closures, in response to the easing of the restrictions imposed by local governments to contain the pandemics effects and to the extraordinary welfare costs. The segment reports a profit of Euro 30.3 million compared to Euro 20.4 million in the previous year;
- the "Property" segment reports a loss of Euro 276 thousand, compared to a loss of Euro 116 thousand in 2021. The performance for the year includes the contribution of the Milan BasicVillage, whose restructuring works concluded in the year.

8. BUSINESS COMBINATIONS

In April, the acquisition by K-Way S.p.A. of the entire share capital of K-Way France S.a.s was completed, the K-Way® brand licensee company in France, and operating in the country through a network of mono-brand, direct and franchising stores, alongside a distribution network of selected multi-brand stores.

The agreed purchase consideration has a fixed and a variable component. The fixed component, fully settled on closing, totalled Euro 19.8 million. The variable component ("earn-out") shall be determined as a portion of K-Way France's net profits in the 2022-2025 period and shall be paid at pre-established maturities between 2023 and 2026. The earn-out was estimated as Euro 17.1 million, of which Euro 7.3 million to be settled by March 2023.

At the date of acquisition of control, K-Way France had a net cash position with the banks of Euro 3.9 million, in addition to payables for rights-of-use of Euro 8.0 million. The net financial position acquired is therefore a debt of Euro 4.1 million.

The acquisition will allow to further consolidate the growth of the K-Way® brand in one of its main markets and also the country where the brand was created in the mid-1960's.

The following table shows the consideration paid together with the final value of the assets acquired and liabilities assumed at the acquisition date:

	Amount
Fixed component	19,829
Variable component ("earn-out")	17,081
Transaction charges	20
Total paid	36,930
Net assets acquired	
Intangible assets	875
Key money	5,468
Right-of-use	8,025
Property, plant and equipment	648
Equity invest. & other financial assets	312
Net inventories	5,620
Trade receivables	1,513
Other current assets	256
Cash and cash equivalents	7,944
Loans	(3,996)
Payables for right-of-use	(8,025)
Trade payables	(3,760)
Tax payables	(1,985)
Other current liabilities	(492)
Total net identifiable assets	12,401
Goodwill	24,529

K-Way France reports for the year revenues of Euro 37.7 million (Euro 27 million in the previous year) and a net profit of Euro 7.3 million. The consolidated financial statements of the BasicNet Group include the K-Way France figures from the acquisition date: direct sales revenues of Euro 31.9 million and a net profit of Euro 6.6 million.

EXPLANATORY NOTES TO THE INCOME STATEMENT**9. CONSOLIDATED DIRECT SALES**

The breakdown of “consolidated direct sales” by geographic area is reported below:

	FY 2022	FY 2021
Sales Italy	198,547	152,964
EU countries other than Italy	104,156	73,287
Rest of the World	10,007	15,384
Total consolidated direct sales	312,711	241,635

Sales revenues concern the finished product sales of the Group companies through the wholesale and retail channels (Euro 311.8 million) and for the sale of samples (Euro 0.9 million). Sales on the home market accounted for 63.5%, while approx. 33.3% of sales were in other EU countries, with the remaining approx. 3.2% outside the EU.

The composition of revenues from direct sales by distribution channel is presented in the following table:

	FY 2022	FY 2021
Multibrand sales	219,525	188,238
Franchising sales	85,846	43,492
Online sales	6,350	8,963
Sample sales	989	942
Total consolidated direct sales	312,711	241,635

10. COST OF SALES

	FY 2022	FY 2021
Goods purchased – Overseas	182,408	103,216
Freight charges and accessory purchasing cost	36,458	21,949
Cost of outsourced logistics	9,379	7,244
Goods purchased – Italy	7,482	6,303
Samples purchased	3,576	2,613
Packaging	1,798	944
Change in inventory of raw materials, ancillary, consumables and goods	(55,744)	(1,500)
Other	3,181	2,798
Total cost of sales	188,537	143,628

“Goods purchased” concern the finished products acquired by the Group companies for distribution in their respective territories. Sample purchases were made by for resale to the licensees.

11. ROYALTIES AND SOURCING COMMISSIONS

“Royalties and sourcing commissions” refer to royalty fees for the brand licenses in the countries where the licenses have been assigned, or recognised to authorised sourcing centres for the production and sale of group brand products by commercial licensees.

The changes in the year are commented upon in the Directors' Report.

	FY 2022	FY 2021
Europe (EU and non-EU)	24,515	22,111
The Americas	13,447	10,338
Asia and Oceania	27,533	17,510
Middle East and Africa	6,809	4,805
Total	72,305	54,763

12. OTHER INCOME

	FY 2022	FY 2021
Prior year income	2,486	4,639
Signing fees from commercial licensees	863	796
Income and chargebacks from aircraft	1,091	639
Rental income	653	417
Income from promo sales	237	521
Recovery of condominium expenses	275	92
Income for right-of-use	-	546
Other income	2,349	2,415
Total other income	7,954	10,066

"Prior year income" concerns the positive differences on the assessment of expenses from previous years.

"Income and recharges from aircraft" include the recharge of costs to specialised aircraft operators and income from leasing aircraft to third parties.

"Income for right-of-use" refers to income from the reversal of payables for right-of-use following the renegotiation of store lease instalments.

The "recovery of condominium expenses" concerns the recharge to lessees of utility costs.

"Other income" includes prior year accruals' reversals, the recharge of expenses to third parties and other indemnities against counterfeiting and unauthorised usage protection actions.

13. SPONSORSHIP AND MEDIA COSTS

	FY 2022	FY 2021
Sponsorship and marketing	27,210	30,209
Advertising	6,086	4,604
Promotional expenses	1,717	1,418
Total sponsorship and media costs	35,013	36,231

The account "sponsorship" refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors' Report.

"Advertising" refers to billboard advertising and press communication campaigns.

Promotional expenses concern gifts of products and advertising material, not relating to specific sponsorship contracts.

14. PERSONNEL COSTS

	FY 2022	FY 2021
Wages and salaries	27,416	22,481
Social security charges	8,627	7,216
Post-employment benefits	1,349	1,346
Company welfare	909	-
Total	38,301	31,043

The number of employees at the reporting date, by category, is reported in the separate section in the Consolidated Non-Financial Declaration.

The average number of employees in 2022 was 976, broken down as 38 executives, 903 white-collar and 35 blue-collar employees.

The increase mainly concerns the personnel employed at the new sales points, in addition to the change in the scope following the acquisition of K-Way France.

15. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	FY 2022	FY 2021
Selling and royalty service expenses	16,908	15,908
Rental, accessory and utility expenses	10,552	8,508
Commercial expenses	11,333	6,356
Directors and Statutory Auditors emoluments	5,216	4,203
Doubtful debt provision	3,115	3,254
Professional consultants	5,555	4,269
Bank charges	2,108	1,377
Hire	1,575	1,237
Taxes and duties	1,600	1,106
Extraordinary charges	760	1,548
Costs related to Human Resources	1,088	669
Purchase of consumables, stationery and printed material	662	454
Other transport costs	492	282
Company expenses	333	320
Other general expenses	8,890	7,437
Total selling, general and administrative costs, and royalties expenses	70,187	51,312

“Selling and royalty service expenses” mainly includes commissions to agents and transport costs to customers, whose increase is related to higher revenues; the item also includes royalties on sports team merchandising contracts and co-branding operations.

“Directors and Statutory Auditors emoluments”, for offices held at the date of the present Report, approved by the Shareholders’ AGM and the Board of Directors’ meetings of April 13, 2022, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/99 and subsequent amendments and supplements, and are reported in the Remuneration Report pursuant to Article 123-ter of the CFA, which is available on the company’s website www.basicnet.com Shareholder’ Meeting 2023 section, to which reference should be made.

“Other general expenses” includes other taxes, consumption materials, hire charges, and corporate and other minor expenses.

16. AMORTISATION & DEPRECIATION

	FY 2022	FY 2021
Intangible assets	3,160	2,908
Right-of-use	6,932	5,594
Property, plant and equipment	4,729	4,127
Total amortisation & depreciation	14,821	12,630

Amortisation of intangible assets includes Euro 64 thousand of key-money write-down relating to some sales points for which the decision to close has been made, within a normal rotation of less profitable sales point in favour of the opening of new locations or more appropriate operational strategies.

The depreciation of right-of-use assets, essentially relating to the lease contracts for the Group's stores, has been reclassified from the account "Rental" included under general expenses on the adoption of IFRS 16.

17. NET FINANCIAL INCOME/(CHARGES)

	FY 2022	FY 2021
Interest income	132	3
Bank interest charges	(232)	(70)
Interest on medium/long term loans	(788)	(658)
Property lease interest	(8)	(12)
Interest IFRS 16	(540)	(138)
Loan and current account fees	(241)	(241)
IAS 19 interest	(33)	(15)
Others	(307)	(230)
Total financial income and charges	(2,017)	(1,771)
Exchange gains	6,498	3,542
Exchange losses	(7,266)	(3,662)
Net exchange gains/(losses)	(767)	(120)
Total financial income/(charges)	(2,784)	(1,891)

Net currency losses amounted to Euro 767 thousand, against losses of Euro 120 thousand in the previous year, as a result of US Dollar movements; net financial charges servicing the debt amounted to Euro 2 million compared to Euro 1.7 million in the previous year.

"Others" includes approximately Euro 320 thousand financial discounts and rebates mainly on the French and English markets.

18. MANAGEMENT OF EQUITY INVESTMENTS

The account reflects the effect on the consolidated result for the period of the valuation at equity of the joint venture Fashion S.r.l..

19. INCOME TAXES

The balance of income taxes comprises current taxes for Euro 13.5 million (of which Euro 2.5 million for IRAP), the release of deferred taxes from previous years and the assessment of deferred taxes emerging in the year for Euro 1 million and Euro 2.4 million regarding the positive effects from the application of the "Patent Box", in addition to prior year taxes and other minor items for Euro 1.1 million.

On September 30, 2019, the Company filed for the renewal of the Patent Box Agreement (2015-2019) in relation to the indirect use of intangible assets (designs) within the scope of intercompany transactions for the period 2020-2024. At the same time, the Company is taking advantage of the "Patent Box" benefit for the indirect use of intangible assets (designs and models and copyrighted software) as part of transactions with

third parties, pursuant to the regulations of Article 1, paragraphs 37 - 45 of Law No. 190/2014 and Ministerial Decree 28.11.2017 for the period 2020-2024.

The reconciliation between the theoretical and actual rate is shown below:

	2022	2021
Profit before taxes	43,320	29,723
Income tax rate	24%	24%
THEORETICAL IRES	(10,403)	(7,134)
Effect of differences between Italian and foreign tax rates	(426)	30
Permanent tax differences effect	(882)	(475)
Prior year taxes	(145)	(336)
Patent Box benefit	2,342	1,482
IRAP	(2,467)	(1,771)
Failure to record DTA on losses	(538)	(539)
WHT Reversal	(951)	(515)
Other changes	186	(136)
EFFECTIVE TAX CHARGE	(13,283)	(9,393)
Effective tax rate	-30.7%	-31.6%
TOTAL EFFECTIVE TAX CHARGE	13,283	(9,393)

20. EARNINGS PER SHARE

The basic earnings per share, for 2022, is calculated dividing the net result attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year:

(in Euro)	FY 2022	FY 2021
Net Profit	30,037,369	20,329,502
Weighted average number of ordinary shares	50,112,500	51,275,602
Basic earnings per ordinary share	0.5994	0.3965

At December 31, 2022, there were no “potentially diluting” shares outstanding, therefore the diluted earnings per shares coincide with the earnings per share.

The change in the weighted average number of ordinary shares outstanding between 2022 and 2021 relates to the number of treasury shares acquired in the year net of the cancellation of 6,993,602 treasury sales in portfolio.

EXPLANATORY NOTES TO THE BALANCE SHEET**21. INTANGIBLE ASSETS**

	December 31, 2022	December 31, 2021	Changes
Concessions, brands and similar rights	59,745	59,292	453
Software development	4,741	4,367	374
Other intangible assets	2,918	1,942	975
Industrial patents	75	147	(72)
Total intangible assets	67,479	65,748	1,731

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Historic cost at 01.01.2020	71,252	47,669	11,119	887	130,927
Additions	364	2,307	539	4	3,214
Disposals & other changes	-	-	(2)	(4)	(6)
Historic cost As at 31.12.2021	71,616	49,976	11,656	887	134,136
Initial balance from acquisition	-	29	863	-	892
Additions	667	2,534	724	-	3,927
Disposals & other changes	24	55	(5)	(55)	19
Historic cost As at 31.12.2022	72,307	52,594	13,238	833	138,972

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Acc. Amort. at 01.01.2020	(12,093)	(43,616)	(9,148)	(689)	(65,546)
Amortisation	(230)	(1,993)	(566)	(52)	(2,841)
Disposals and other changes	-	-	-	-	-
Acc. Amort. As at 31.12.2021	(12,323)	(45,609)	(9,714)	(741)	(68,387)
Initial balance from acquisition	-	(17)	-	-	(17)
Amortisation	(239)	(2,234)	(607)	(17)	(3,096)
Disposals and other changes	-	6	-	-	6
Acc. Amort. As at 31.12.2022	(12,562)	(47,854)	(10,320)	(758)	(71,494)

The net book value of intangible assets is reported below:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
Opening net book value at 1.1.2020	59,159	4,052	1,971	198	65,380
Additions	364	2,307	539	4	3,214
Disposals and other changes	-	-	(2)	(4)	(6)
Amortisation	(230)	(1,993)	(566)	(52)	(2,841)
Write-downs	-	-	-	-	-
Closing net book value at 31.12.2021	59,292	4,367	1,942	147	65,748
Initial balance from acquisition	-	13	863	-	875
Additions	667	2,534	724	-	3,927
Disposals and other changes	24	61	(5)	(55)	25
Amortisation	(239)	(2,234)	(607)	(17)	(3,096)
Write-downs	-	-	-	-	-
Closing net book value at 31.12.2022	59,745	4,741	2,918	75	67,479

The increase in “concessions, brands and similar rights” is due to the capitalisation of costs incurred for the registration of trademarks in new countries, for renewals and extensions and for the purchase of software licenses. Amortisation in the period concerns the Jesus Jeans brand, amortised over 20 years, as not yet reaching a market positioning equal to that of the principal brands.

At December 31, 2022, the Kappa and Robe di Kappa brands report a book value of Euro 15.2 million, with the Superga brand reporting a book value of Euro 21.2 million; the K-Way brand was valued at Euro 9.4 million, the Sebago brand at Euro 12.1 million and the Briko brand at Euro 0.9 million. The Kappa, Robe di Kappa, Superga, K-Way, Briko and Sebago brands are considered intangible assets with indefinite useful life and as such are subject to an impairment test at least annually.

The book value of the Sabelt brand, for which the Group is worldwide licensee for the “fashion” classes, held through the two joint ventures, reflects the value of the investment.

At December 31, 2022 in application of the provisions of IAS 36 on impairment testing, the Group has conducted all the checks on any permanent impairment of corporate brands and related CGU's.

For the purposes of the impairment test of the BasicNet Group at consolidated level, the CGU's were identified as the brands of the company.

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

The verification of the reduction in the loss in value (impairment test) of the indefinite useful life assets, among which brands and goodwill, allocated to each CGU was carried out comparing the carrying amount with the respective recoverable value. The recoverable value was determined discounting the expected net cash flows allocated to each CGU (value in use). The key assumptions utilised for the calculation principally refer to:

- the estimate of the future net cash flows of each CGU is based on the plans approved by the Board of Directors and on reasonable and sustainable assumptions, with respect to future and historical cash flows;
- the terminal value, equal to the value of the cash flows at the end of the explicit time period, is calculated assuming a perpetual growth rate of 1.50% (1.00% in 2021);
- the discounting of the weighed average cost of capital (WACC) of 11.10% (6.90% in 2021).

Following the impairment test no write-down is required of the book value of the brands or the goodwill. The value in use of the CGUs thus determined are significantly higher than their carrying amount: in particular, the sensitivity analyses carried out against this backdrop confirmed the full recoverability of the values even in the event of significant reductions in expected cash flows or a significant increase in discount rates. Similarly, the development of alternative scenarios involving an increase in the principal production sources, reflecting the current degree of uncertainty about future economic prospects, also revealed the presence of significant headroom for all CGUs.

The account “software development” increased approx. Euro 2.5 million for investments and decreased Euro 2.2 million for amortisation in the year.

The account “other intangible assets” principally includes improvements related to the franchising project and recorded investments of Euro 0.7 million and amortisation of Euro 0.6 million.

22. RIGHT-OF-USE

The Group utilises the exceptions under the standard on leasing contracts which have a duration of equal to or less than 12 months and which do not contain a purchase option (“short-term leasing”) and on leases whose underlying asset is of a low value (“low value asset”).

In the previous year, the Group applied the practical expedient provided for lease reductions granted by landlords that are a direct result of the COVID-19 outbreak.

	December 31, 2022	December 31, 2021	Changes
Right-of-use	29,911	23,119	6,792
Total right-of-use	29,911	23,119	6,792

The changes in the original cost of the right-of-use were as follows:

	2022	2021
Historical cost at 01.01	50,704	46,060
Initial balance from acquisition	8,025	-
Investments and renovations	4,405	7,538
Disposals and other changes	(2,911)	(2,894)
Write-downs	-	-
Historical cost at 31.12	60,223	50,704

The changes in the relative accumulated depreciation provisions were as follows:

	2022	2021
Accum. Deprec. at 01.01	(27,585)	(23,979)
Initial balance from acquisition	-	-
Depreciation	(6,932)	(5,594)
Disposals and other changes	4,203	1,987
Accum. Deprec. at 31.12	(30,314)	(27,585)

The movements in the net book value of the right-of-use is shown below:

	2022	2021
Net book value at 01.01	23,119	22,082
Initial balance from acquisition	8,025	-
Investments and renovations	12,422	7,538
Disposals and other changes	1,293	(907)
Depreciation	(6,932)	(5,594)
Net book value at 31.12	29,911	23,119

23. GOODWILL

	December 31, 2022	December 31, 2021	Changes
Goodwill	41,853	11,840	30,014
Goodwill	41,853	11,840	30,014

The account “goodwill” includes the goodwill arising on the business combination with a Spanish licensee (totalling Euro 6.7 million) and the French licensee (Euro 1.2 million), goodwill for Euro 3.4 million following the acquisition of the French Group Kappa Europe, and goodwill paid for the acquisition of retail outlets, known as key money (Euro 0.5 million).

The movement in the year is entirely due to the initial consolidation of K-Way France (for Euro 24.5 million), as outlined at Note 8, and includes the key money recognised by the French licensee (for an additional Euro 5.5 million).

The Group verifies the recovery of the goodwill at least on an annual basis or more frequently when there is an indication of a loss in value. For the purposes of the impairment test the goodwill is allocated to the lowest cash-generating unit. See Note 21 on the checks carried out as at December 31, 2022.

24. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2022	December 31, 2021	Changes
Property	40,956	36,537	4,419
Furniture and other assets	9,681	8,029	1,651
Plant & machinery	3,787	787	3,000
EDP	1,888	1,752	136
Industrial and commercial equipment	191	171	19
Total property, plant and equipment	56,503	47,276	9,226

The changes in the historical cost of property, plant and equipment were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Historic cost at 01.01.2020	52,654	23,908	2,916	16,471	1,251	97,200
Additions	3,217	1,405	289	956	22	5,889
Disposals and other changes	-	(418)	-	(149)	-	(567)
Historic cost As at 31.12.2021	55,871	24,895	3,205	17,278	1,273	102,522
Initial balance from acquisition	-	962	-	73	-	1,035
Additions	7,850	2,811	1,354	1,057	81	13,153
Disposals and other changes	2	(658)	(28)	(244)	-	(928)
Historic cost As at 31.12.2022	63,723	28,010	4,531	18,164	1,355	115,783

The changes in the relative accumulated depreciation provisions were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Acc. Deprec. at 1.1.2021	(17,908)	(15,669)	(2,127)	(14,778)	(1,029)	(51,511)
Depreciation	(1,427)	(1,483)	(291)	(858)	(72)	(4,131)
Disposals and other changes	-	283	-	113	-	396
Acc. Deprec. As at 31.12.2021	(19,335)	(16,866)	(2,417)	(15,526)	(1,101)	(55,246)
Initial balance from acquisition	-	(341)	-	(46)	-	(387)
Depreciation	(1,488)		(467)	(875)	(62)	(4,710)
Disposals and other changes	171	348	32	175	(4)	723
Acc. Deprec. As at 31.12.2022	(20,651)	(18,336)	(2,852)	(16,273)	(1,167)	(59,280)

The net book value of property, plant and equipment was as follow:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Net book value at 1.1.2021	34,747	8,242	789	1,690	222	45,690
Additions	3,217	1,405	289	956	22	5,889
Depreciation	(1,427)	(1,483)	(291)	(858)	(72)	(4,131)
Disposals and other changes	-	(136)	-	(36)	-	(171)
Net book value at 31.12.2021	36,537	8,029	787	1,752	171	47,276
Initial balance from acquisition	-	962	-	27	-	989
Additions	7,850	2,811	1,354	1,057	81	13,153
Depreciation	(1,488)	(1,818)	(467)	(875)	(62)	(4,710)
Disposals and other changes	173	(309)	4	(69)	(4)	(205)
Net book value at 31.12.2022	43,071	9,674	1,679	1,891	187	56,503

“Property” includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.p.A. and at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company, adjacent buildings owned by Basic Village S.p.A. acquired in late 2016, and the property complex at Via dell’Aprica, No. 12 in Milan, owned by Aprica Costruzione S.r.l, Milan, a company which was acquired in January 2020, and merged into Basic Village S.p.A. in July 2020, to which the property at C.so Regio Parco, 33, Turin, was added, acquired on March 23, 2022.

Total gross investments in the year amounted to Euro 13.2 million, principally relating to the restructuring of the BasicVillage in Milan and acquisition of furniture and EDP for the opening of new stores.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2022	Net value at December 31, 2021
Furniture and other assets	763	1,248
EDP	90	121
Plant	10	12
Transport vehicles	24	46
Total	887	1,427

25. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	December 31, 2022	December 31, 2021	Changes
Investments in:			
– Other companies	-	338	(338)
Total investments	-	338	(338)
Other receivables, guarantees	794	761	33
Total financial receivables	794	761	33
Total investments & other financial assets	794	1,099	(305)

“Other receivables, guarantees” principally refer to deposits on real estate property.

“Investments in other companies” in the previous year concern the investment in Cecilia S.r.l., incorporated into Kappa S.r.l. in 2022.

“Other receivables, guarantees” principally refer to deposits on real estate property.

26. INVESTMENTS IN JOINT VENTURES

	December 31, 2022	December 31, 2021	Changes
Investments in:			
- Joint ventures	184	191	(6)
Total investments in joint ventures	184	191	(6)

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand. From January 1, 2014, this category of investment has been valued at equity, as per IFRS 11.

27. DEFERRED TAX ASSETS

	December 31, 2022	December 31, 2021	Changes
Deferred tax assets	7,727	7,737	(11)
Total deferred tax assets	7,727	7,737	(11)

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes.

The individual effects are reported in the table below:

	December 31, 2022			December 31, 2021		
	Translation differences	Rate % (*)	Tax effect	Temporary differences	Rate % (*)	Tax effect
Deferred tax assets:						
- Excess doubtful debt provision not deductible	(15,862)	24.1%	(3,819)	(15,270)	24.0%	(3,658)
- Inventory obsolescence provision	(3,214)	27.2%	(873)	(4,624)	24.0%	(1,110)
- Prudent exchange differences, net	(28)	24.0%	(7)	747	24.0%	179
- Misc. charges temporarily non-deductible	(1,346)	25.1%	(338)	(1,533)	25.8%	(395)
- Effect IAS 19 – Employee Benefits	(118)	27.1%	(32)	(680)	24.5%	(167)
- Effect IFRS 16 - lease payables	(656)	27.9%	(183)	(860)	26.9%	(231)
- Effect IFRS 39 - financial instruments.	(2,044)	24.1%	(493)	1,554	24.3%	378
Total	(23,267)		(5,744)	(20,667)		(5,003)
Deferred tax liabilities:						
- Amortisation/Depreciation tax basis	11,790	27.9%	3,289	5,254	28.0%	1,474
- Statutory and fiscal differences on depreciation and valuations	13,286	28.1%	3,730	13,990	28.1%	3,927
- Effect IAS 38 – plant costs	18	27.9%	5	18	27.9%	5
- Effect IFRS 3 – goodwill amortisation	683	30.4%	208	2,264	27.9%	632
Total	25,776		7,232	21,525		6,038
Losses carried forward	(8,521)	25.9%	(2,210)	(8,961)	25.9%	(2,322)
Deferred tax liabilities (asset) net	6,011		(722)	(8,103)		(1,287)
Of which:						
Deferred tax assets			7,726			7,737
Deferred tax liabilities			7,004			6,450

(*) Average tax rate

Deferred tax assets are recorded considering probable their recovery based on future profit expectations, and principally relate to non-deductible doubtful debt provisions (approx. Euro 3.8 million), non-deductible inventory obsolescence provisions (approx. Euro 0.9 million), temporarily non-deductible charges (Euro 0.4 million) and the effects deriving from the application of IFRS 16 (Euro 0.2 million), in addition to Euro 2.2 million of unlimited tax losses carried forward by the Kappa France Group, recognised based on the expected recoverability.

Deferred tax liabilities principally refer to the tax effects deriving from the application of the IFRS international accounting standards, with particular reference to the accounting of amortisation on own brands solely for tax purposes (Euro 3.3 million), differences between statutory and fiscal amortisation (Euro 3.7 million) and goodwill amortisation fiscally deductible (Euro 0.2 million).

28. NET INVENTORIES

	December 31, 2022	December 31, 2021	Changes
Raw materials, ancillaries and consumables	85	87	(2)
Finished products and goods	128,541	68,505	60,035
Inventory obsolescence provision	(3,643)	(4,970)	1,327
Total net inventories	124,983	63,622	61,361

Finished inventories include goods in transit at the balance sheet date which at December 31, 2022 amount to approx. Euro 31.8 million compared to Euro 13.6 million at December 31, 2021, goods held at Group brand stores for Euro 7.3 million, compared to Euro 6.1 million at December 31, 2021 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 7.6 million compared to Euro 3.9 million at December 31, 2021.

Inventories are valued under the weighted average cost method and net of the obsolescence provision considered reasonable for a prudent valuation of inventories, which recorded the following changes during the year:

	2022	2021
Inventory obsolescence provision at 01.01	4,970	5,090
Provisions in the year	1,243	1,207
Utilisations	(2,570)	(1,327)
Inventory obsolescence provision at 31.12	3,643	4,970

29. TRADE RECEIVABLES

	December 31, 2022	December 31, 2021	Changes
Gross value	100,414	71,069	29,346
Doubtful debt provision	(19,528)	(17,949)	(1,579)
Total trade receivables	80,887	53,120	27,767

"Trade receivables" refer for Euro 55.4 million to goods sold by proprietary licensees compared to Euro 40.7 million at December 31, 2021 against which a doubtful debt provision was recorded of Euro 9.2 million (Euro 8.7 million at December 31, 2021) and for Euro 44.5 million to royalties and sourcing commissions (Euro 29.8 million at December 31, 2021) against which a doubtful debt provision was recorded of Euro 10.1 million (Euro 9.2 million at December 31, 2021).

The receivables are recorded at their realisable value through a doubtful debt provision based on estimated losses on disputes and/or overdue receivables as well as a general provision.

The movements during the year were as follows:

	2022	2021
Doubtful debt provision at 01.01	17,949	15,927
Initial balance from acquisition	-	-
Provisions in the year	3,115	3,254
Utilisations	(1,536)	(1,232)
Doubtful debt provision at 31.12	19,528	17,949

The utilisations of the provision are related to the write off of long outstanding amounts and are made when the legal documentation of the loss has been received. Provisions are made based on an examination of individual credit positions and the calculation of expected losses based on statistical and parametric elements. Overdue receivables not written down are normally recovered in the period immediately after the maturity date and in any case are subject to specific risk evaluations.

30. OTHER CURRENT ASSETS

	December 31, 2022	December 31, 2021	Changes
Tax receivables	6,643	7,856	(1,213)
Other receivables	3,207	3,383	(176)
Total other current assets	9,852	11,239	(1,388)

Current “tax receivables” principally relate to withholding taxes on royalties for Euro 4.3 million, VAT receivables for Euro 1.3 million, IRES and IRAP receivables of Euro 0.4 million, in addition to minor amounts.

“Other receivables” mainly includes advances to suppliers and sundry receivables. The account also includes the premium paid to the insurance company against Directors Termination Indemnities, to be paid to the Chairman of the Board of Directors, as approved by the Board of Directors on April 12, 2022, on the indication of the Shareholders’ AGM and the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, on conclusion of his role for Euro 0.5 million.

31. PREPAYMENTS

	December 31, 2022	December 31, 2021	Changes
Expenses pertaining to future collections	3,351	4,096	(745)
Sponsorship and media	4,495	6,018	(1,523)
Others	4,608	2,540	2,067
Total prepayments	12,454	12,654	(200)

The “expenses pertaining to future collections” include the costs relating to new Collections to be brought to the market, as well as presentations costs for the relative sales meetings.

The “sponsorship costs” relate to the annual amount contractually defined by the parties, which is partially invoiced in advance during the sports season, compared to the timing of the services.

The “other prepayments” include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group.

32. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021	Changes
Bank and postal deposits	19,308	28,425	(9,117)
Cash in hand and similar	168	123	45
Total cash and cash equivalents	19,476	28,548	(9,071)

“Bank deposits” refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: K-Way France S.a.s. (Euro 8.2 million), companies of the Kappa France Group (Euro 3 million), K-Way S.p.A. (Euro 2.1 million), BasicItalia S.p.A. (Euro 1.4 million), Kappa S.r.l. (Euro 1.2 million), Basic Properties America, Inc. (Euro 0.9 million), BasicNet S.p.A. (Euro 0.5 million), BasicRetail S.r.l. (Euro 0.2 million), K-WayRetail S.r.l. (Euro 0.6 million) and for the difference at the other Group companies (Euro 1.2 million).

33. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2022	December 31, 2021	Changes
Derivative financial instruments	1,011	1,596	(586)
Total	1,011	1,596	(586)

Reference should be made to Note 47 below for further details.

34. SHAREHOLDERS' EQUITY

	December 31, 2022	December 31, 2021	Changes
Share capital	31,717	31,717	-
Treasury shares	(13,955)	(30,648)	16,693
Other reserves	101,347	112,423	(11,077)
Net Profit/(loss)	30,037	20,330	9,708
Total Shareholders' Equity	149,146	133,822	15,324

The "share capital" of the Parent Company, amounting to Euro 31,716,673.04, is divided into 54,000,000 fully paid-in ordinary shares without par value.

In May, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 13, 2022, in relation to the allocation of the 2021 net profit, a dividend of Euro 0.12 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 6.1 million.

The Extraordinary Shareholders' Meeting of May 30, 2022 approved the cancellation of 6,993,602 treasury shares held in portfolio without reducing the share capital and eliminated the par value of the shares. As a result, the "Reserve for purchase of treasury shares" was reduced by Euro 23.2 million and the corresponding negative item "treasury shares" was reduced by the same amount.

Following this motion and with the purchases during the year of 1,163,102 treasury shares in execution of the authorising shareholder motions of April 13 and May 30, 2022, at December 31, 2022, there were 3,887,500 treasury shares in portfolio, equal to 7.2% of the share capital.

The account "other reserves" comprises:

- the "cash flow hedge reserve", negative for Euro 254 thousand, changed in the year due to the fair value measurement of cash flow hedges held at June 30, 2022;
- the "re-measurement reserve for defined benefit plans (IAS 19)", negative for Euro 393 thousand, refers to the changes in the actuarial gains/losses ("re-measurement"). The valuation is shown net of the tax effect;
- the "IFRS16 reserve", which includes the effects of the first-time application of the standard, is negative for Euro 733 thousand;
- the "currency conversion reserve", positive for Euro 1.8 million, entirely concerns conversion differences into Euro of the financial statements of the US, Asian, Swiss and English subsidiaries;
- "retained earnings" amounting to Euro 102.2 million, a decrease of Euro 9 million compared to the end of the previous year. This change follows an increase of Euro 14.2 million in retained earnings from the previous year and a utilisation of Euro 23.2 million from the sale of treasury shares.

The reconciliation at December 31, 2022 between the net equity and net result of the Parent Company and the net equity and consolidated net result of the Group is reported in the Directors' Report.

The other gains and losses recorded directly to equity in accordance with IAS 1 – Presentation of financial statements are reported below.

	December 31, 2022	December 31, 2021	Changes
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	(2,658)	2,367	(5,025)
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	(940)	1,426	(2,365)
Effective part of the Gains/(losses) on cash flow hedge instruments	(3,598)	3,793	(7,394)
Re-measurement of defined benefit plans (IAS 19) (*)	431	(108)	539
Gains/(losses) from translation of accounts of foreign subsidiaries	315	628	(313)
Tax effect relating to the Other items of the comprehensive income statement	767	(905)	1,673
Total other gains/(losses), net of tax effect	(2,085)	3,408	(5,493)

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

The tax effect relating to Other gains/(losses) is as follows:

	December 31, 2022			December 31, 2021		
	Gross value	Tax effect	Net value	Gross value	Tax effect	Net value
Effective part of Gains/(losses) on cash flow hedge instruments	(3,598)	871	(2,727)	3,793	(931)	2,862
Gains/(losses) for re-measurement of defined benefit plans (IAS 19) (*)	431	(103)	327	(108)	26	(82)
Gains/(losses) from translation of accounts of foreign subsidiaries	315	-	315	628	-	628
Total other gains/(losses), net of tax effect	(2,852)	767	(2,085)	4,313	(905)	3,408

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

35. PROVISIONS FOR RISKS AND CHARGES

	December 31, 2022	December 31, 2021	Changes
Provisions for risks and charges	1,792	590	1,202
Total provisions for risks and charges	1,792	590	1,202

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A., Kappa S.r.l. and K-Way S.p.A., the provisions for commercial disputes and disputes with the licensee network.

36. LOANS

The changes in the loans during the year are shown below:

	31/12/2021	Change consolidation scope	Repayments	Hires	31/12/2022	Short-term portion	Medium/long-term portion
Unicredit property loan (Basic Village)	900	-	(900)	-	-	-	-
Intesa mortgage loan (Cebrosa)	916	-	(916)	-	-	-	-
BNL loan	1,875	-	(1,875)	-	-	-	-
Banco BPM Mortgage Loan (Real Estate)	-	-	(788)	31,500	30,713	3,150	27,563
MPS loan (Sebago)	8,125	-	(3,250)	-	4,875	3,250	1,625
Banco BPM Unsecured Loan (Kappa Japan brand)	6,000	-	(375)	-	5,625	1,500	4,125
FCG Loan L.662/96 (BasicNet)	5,500	-	(344)	-	5,156	1,375	3,781
FCG Loan L.662/96 (BasicItalia)	5,500	-	(344)	-	5,156	1,375	3,781
FCG Loan L.662/96 (K-WayRetail)	5,225	-	(1,100)	-	4,125	1,100	3,025
FCG Loan L.662/96 (Kappa Japan brand)	5,500	-	-	-	5,500	1,375	4,125
BPI KE loan	1,334	-	(333)	-	1,001	333	668
Abanca "Covid-19" subsidised loan	200	-	(33)	-	167	66	101
KSI "Covid-19" subsidised loan	420	-	(91)	-	329	139	191
Santander KSI loans	17	-	(17)	-	-	-	-
Intesa KFF loan	2,000	-	(800)	-	1,200	800	400
BNP Loan – La Baule	-	357	(43)	-	314	57	257
BPI Loan – La Baule	-	386	(43)	-	343	57	286
HSBC Loan – Montpellier	-	237	(34)	-	203	46	157
BNP Loan – Nice	-	393	(59)	-	334	79	255
SGE Loan – Lyon	-	342	(64)	-	277	87	191
SGE Loan – Temple (restructuring)	-	145	(35)	-	110	47	63
BNP Loan – Temple	-	232	(63)	-	169	84	85
SGE Loan – Temple	-	241	(65)	-	176	87	89
SGE Loan – Biarritz	-	247	(40)	-	207	54	154
BPI Loan – Biarritz	-	263	(56)	-	206	75	131
BNP Loan – PGE	-	485	(81)	-	404	121	311
HSBC Loan – PGE	-	335	(56)	-	279	84	196
SGE Loan – PGE	-	335	(56)	-	279	84	195
Balance	43,512	3,996	(11,858)	31,500	67,150	15,423	51,755

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2022	December 31, 2021	Changes
MEDIUM/LONG TERM LOANS:			
- due within 5 years	39,943	34,268	5,675
- due beyond 5 years	11,813	-	11,813
Total medium/long-term loans	51,756	34,268	17,488
Finance lease payables	259	515	(257)
Total leasing payables (maturity within 5 years)	259	515	(257)
Total loans	52,014	34,783	17,231

The “Basic Village Turin Unicredit property loan”, maturing in the year, was granted by the Unicredit Group for the acquisition of the building “Basic Village” at Largo M. Vitale 1, Turin. The loan, entered into at a variable rate converted into a fixed rate (Note 47), was guaranteed by a mortgage on the property and a surety issued by the parent BasicNet S.p.A.

“The Intesa Cebrosa mortgage”, repaid in advance of the scheduled maturity of October 2023, was issued by Intesa Sanpaolo S.p.A. for the purchase of the property at Strada Cebrosa, 106 in Turin. Against this loan there is a mortgage on the property and a surety from the parent company BasicNet S.p.A..

The “BNL Loan”, disbursed in November 2016 for Euro 7.5 million and repaid in advance in the year, stipulated the maintenance of a number of conditions on the ownership of BasicNet S.p.A. and was secured by a second level mortgage on the BasicVillage Turin property and a first level mortgage on the adjacent property.

The “Banco BPM Mortgage” was disbursed in September 2022 for Euro 31.5 million and has a ten-year duration, repayable in quarterly instalments. The variable rate, equal to the quarterly Euribor +150 points, was hedged for 30% of the notional amount at a fixed rate of 3.52%. The loan, secured by a first level mortgage on the BasicVillage in Turin and the adjacent property, the BasicVillage in Milan, and the property on Strada Cebrosa, made it possible to fully refinance the debt arising from the Group's real estate operations.

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of Sebago S.r.l. (previously “TOS S.r.l.”), owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

The “BPM Banco Unsecured Loan” was issued in September 2020 for Euro 6 million and is of six-year duration, repayable in quarterly instalments from December 2022 at a quarterly Euribor rate plus 135 basis points (Note 47). The loan funded Basic Trademark's purchase of the Kappa Japan brand (now Kappa S.r.l.). No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%, in addition to the constraint of maintaining the Group's total shareholding in Kappa.

For the loans disbursed in 2020 under the SMEs Guarantee Fund, the following should be noted:

1. BasicNet: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly installments, starting from December 2022, at a fixed rate. The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed;
2. BasicItalia: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly installments, starting from December 2022, at a fixed rate. The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed; The financing is backed by an additional guarantee from BasicNet;

3. K-WayRetail: BPM Banco Loan issued in September 2020 for Euro 5.5 million (initially issued to BasicRetail and transferred to K-WayRetail); and is of six-year duration, repayable in quarterly instalments from December 2021 at a quarterly Euribor rate plus 110 basis points (Note 47). The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and goods and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed;
4. Kappa: BPM Banco Loan issued in October 2020 for Euro 5.5 million and of six-year duration, repayable in quarterly instalments from January 2023 at a quarterly Euribor rate plus 125 basis points (Note 47). The contractual terms provided that the use of the relative liquidity was tied to the purchase of the Kappa Japan brand. The Fund's guarantee covers 90% of the amount disbursed;

The "Intesa KFF Loan" was disbursed in 2019 for Euro 3.6 million to Kappa France by the French branch of Banca Intesa Sanpaolo S.p.A. The unsecured loan is repayable over 5 years in half-yearly installments, at a half-yearly Euribor rate increased by 185 basis points, converted into a fixed finished rate of 1.65%.

The terms of the unsecured loans granted to the Spanish subsidiary, individually of insignificant amounts, are generally in line with those of the Group's medium/long-term debt.

As part of the acquisition of K-Way France (Note 8), the Group incorporated

- i. 10 loan contracts, generally backed by collateral on "fonds de commerce", originally entered into to finance the acquisition, development or renovation of monobrand stores;
- ii. 3 loan contracts, backed by a guarantee from the French state, and disbursed as part of the measures to support enterprises in the face of the COVID-19 epidemic.

At December 31, 2022, the credit lines available from the banking system (bank overdrafts, commercial advances, medium/long-term loans, import financing, leasing and letters of credit), amount to Euro 389.6 million, broken down as follows:

(in Euro millions)	December 31, 2022	December 31, 2021
Cash facility	267.4	211.4
Factoring	14.2	14.2
Letters of credit and swaps	39.8	27.6
Medium/long term loans	67.2	43.5
Property leases	1.0	1.0
Total	389.6	297.7

The average interest paid for the BasicNet Group in the year is reported in Note 37 below.

37. BANK PAYABLES

	December 31, 2022	December 31, 2021	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	15,423	9,243	6,180
- bank overdrafts and bills	5,977	9,313	(3,335)
- import advances	39,938	12,910	27,027
Total bank payables	61,338	31,466	29,872

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 36.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the year on short and medium/long-term loans is reported in the account "bank payables".

Cash advances refer to temporary utilisation by the Parent Company BasicNet S.p.A., for Group treasury needs.

The financial debt by interest rate at December 31, 2022 is as follows:

	Interest Rate		Total
	Fixed	Variable	
Short-term	4,116	57,222	61,338
Medium/long term	10,505	41,509	52,014
Total	14,621	98,732	113,352

The average interest rate on medium/long term loans was 2.47%.

38. PAYABLES FOR RIGHT-OF-USE

	December 31, 2022	December 31, 2021	Changes
Payables for rights-of-use	30,734	24,041	6,692
Total payables for right-of-use	30,734	24,041	6,692

During the year, new contracts worth Euro 9.8 million have been registered, debts assumed following the inclusion of K-Way France in the consolidation scope for Euro 8 million and instalments falling due settled for Euro 8.8 million.

39. OTHER FINANCIAL PAYABLES

	December 31, 2022	December 31, 2021	Changes
Other financial payables	9,749	-	9,749
Other financial payables	9,749	-	9,749

Other financial payables include the portion due beyond one year of the variable component ("earn-out") of the price to be paid for the acquisition of K-Way France. The portion due within one year amounts to Euro 7.3 million and is classified to Other current liabilities (Note 45).

40. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 2.9 million and the termination indemnities of Directors of Euro 0.3 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2022			December 31, 2021		
	Defined benefit plans	Defined contrib. plans	Total	Defined benefit plans	Defined contrib. plans	Total
Change in the balance sheet:						
Net liabilities recognized at begin. of year	3,568	-	3,568	3,229	-	3,229
Change in consolidation scope	-	-	-	-	-	-
Interest	33	-	33	15	-	15
Pension cost, net of withholdings	54	1,222	1,276	367	965	1,332
Benefits paid	(281)	-	(281)	(151)	-	(151)
Payments to the INPS treasury fund	-	(947)	(947)	-	(690)	(690)
Payments to other supp. pension fund	-	(275)	(275)	-	(275)	(275)
Actuarial gain/(losses)	(431)	-	(431)	108	-	108
Net liabilities recognised in the accounts	2,944	-	2,944	3,568	-	3,568
Change in the income statement:						
Interest	33	-	33	15	-	15
Pension Cost	54	1,222	1,276	367	965	1,332
Total charges/(income) for post-employment benefits	87	1,222	1,309	383	965	1,348

The account "defined benefit plans" includes the present value of the liabilities in the Italian companies of the Group towards employees in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with IAS 19 – Employee benefits; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Group there are no other defined benefit plans.

The actuarial valuation of the Post-Employment Benefit is prepared based on the "matured benefits" method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The revaluations of the amounts at the option date for all of the companies and the benefits matured and not allocated to complementary pension schemes for businesses with less than 50 employees are recorded under post-employment benefit. In accordance with IAS 19, this provision was recorded as a "Defined benefit plans". The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature.

The sensitivity analysis carried out on the basis of the following variables: 1) inflation rate +0.25%/-0.25%, 2) discount rate +0.25%/-0.25%, 3) turnover rate +1%/-1% shows non-material impacts of less than Euro 89 thousand.

The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2022	December 31, 2021
discount rate	4.14%	1.09%
inflation rate:	2.30%	1.75%
annual increase in post-employment benefit	3.23%	2.81%
annual increase in salaries:	1.00%	1.00%

The change in the annual discount rate reflects the decrease in the yields of the “corporate bonds” of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

41. DEFERRED TAX LIABILITIES

	December 31, 2022	December 31, 2021	Changes
Deferred tax liabilities	7,004	6,451	554
Total deferred tax liabilities	7,004	6,451	554

Reference should be made to Note 47 above for further details.

42. OTHER NON-CURRENT LIABILITIES

	December 31, 2022	December 31, 2021	Changes
Guarantee deposits	1,976	1,368	608
Medium/long term tax payables	-	-	-
Total other non-current liabilities	1,976	1,368	608

The “guarantee deposits” include the guarantees received from licensees, to cover the minimum royalties guaranteed contractually.

43. TRADE PAYABLES

“Trade payables” are payable in the short-term and increased by approx. Euro 33.6 million compared to December 31, 2021, due to the increased procurement of goods during the last quarter compared to the same period of the previous year, in addition to the inclusion of K-Way France in the consolidation scope. At the date of these financial statements there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A. or other companies of the Group.

Trade payables are normally settled between 30 and 120 days. The book value of trade payables equates the relative fair value.

44. TAX PAYABLES

The breakdown of this account is shown in the following table:

	December 31, 2022	December 31, 2021	Changes
Tax payables:			
IRES	5,563	5,059	504
Employee contributions	628	530	98
Group VAT	3,120	2,775	345
Other	426	767	(341)
Total tax payables	9,737	9,131	606

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date.

45. OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021	Changes
Payables for the purchase of equity investments	7,332	-	7,332
Payables to employees and directors	3,811	3,995	(184)
Social security institutions	2,836	2,669	167
Accrued expenses	1,069	827	241
Shareholder dividend account	5	-	5
Other payables	2,016	1,482	534
Total other current liabilities	17,069	8,973	8,096

“Payables for the purchase of equity investments” includes the portion due within one year of the variable component (“earn-out”) of the price based on the 2020 results, to be paid for the acquisition of K-Way France.

The account “accrued expenses” principally includes deferred employee remuneration.

“Payables to employees and Directors” mainly concern salaries and expenses for reimbursement settled in the subsequent month.

“Other payables” at December 31, 2022 principally concern royalty payments on account from licensees (Euro 112 thousand) and other miscellaneous amounts.

46. DEFERRED INCOME

	December 31, 2022	December 31, 2021	Changes
Royalties	1,215	1,247	(32)
Sponsored goods revenues	4,261	3,733	528
Other deferred income	671	724	(53)
Total deferred income	6,147	5,703	443

The “sponsored goods revenues” relates to the invoicing of sponsored merchandise, which contractually partially refers to the period after the reporting date, with corresponding prepayments recorded under assets for sponsoring costs.

47. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2022	December 31, 2021	Changes
Derivative financial instruments	3,054	42	3,012
Total	3,054	42	3,012

The account includes the market value at December 31, 2022 of the currency hedge instruments on US Dollars (cash flow hedge), subscribed with primary credit institutions; the instrument utilised, called flexi term, operates in the form of forward currency purchases on a portion of the estimated currency needs for the purchase of goods on foreign markets, to be made in 2023 and 2024, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At December 31, 2022, commitments were in place on estimated future purchases, for USD 71.3 million, broken down into 31 transactions with differing maturities: 20 transactions in the first half of 2023 (for USD 44.2 million), 11 transactions in the second half of 2023 (for USD 27.1 million) at variable exchange rates set between USD/Euro 1.0065 and USD/Euro 1.2380. A negative equity reserve was recorded of Euro 1.5 million, net of the tax effect. During 2022, forward purchase operations were utilised for approx. USD 33.2 million and the relative effects were recognised to the income statement.

In the case of the Interest Rate Swap (IRS) agreed by the Group, the specific hedge of the variable cash flow realised at market conditions, through the signing of the fix/flo IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be considered effective.

48. GUARANTEES GIVEN/COMMITMENTS

With reference to the guarantees and commitments of the Group with third parties reference should be made to Note 36.

We highlight:

1. For BasicItalia: in February 2010, Intesa Sanpaolo S.p.A. and the Company signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which the Company guarantees a portion of the loan and the purchase of assets in leasing and sub-entry into the management of the sales point in the case of non-compliance of the store owner. At December 31, 2022, the bank deposits of BasicItalia were restricted for Euro 2 thousand; guarantees were also provided on leasing amounting to Euro 278 thousand. The Company has also undertaken further commitments relating to the opening of documentary credits (letters of credit) for the import of goods, through a number of banks, amounting to Euro 5.8 million;
2. K-Way S.p.A.: it has commitments undertaken through some Credit Institutions, which refer to the opening of documentary credits (letters of credit) for the import of goods for an amount of Euro 11.3 million; in addition, guarantees were released for Euro 25 thousand;
3. Kappa Retail: it has commitments undertaken through some Credit Institutions, which refer to the opening of documentary credits (letters of credit) for the import of goods for an amount of Euro 302 thousand;
4. BasicRetail S.r.l.: guarantees amounting to Euro 642 thousand were issued by Credit Institutions in favour of the tenants of the stores where the Company directly retails the products bearing the Group's brands, and guarantees on leases amounting to Euro 59 thousand;
5. For K-WayRetail S.r.l.: Euro 262 thousand for guarantees on leases issued in favour of the Company;
6. Sebago S.r.l.: finally, the shares of the company are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017;
7. K-Way France: the commercial activities concerning the direct sales points in Montpellier, Paris (Rue de Temple), La Baule, Lyon, Biarritz and Nice are pledged as collateral for the respective loans.

49. OPERATIONS UNDER COMMON CONTROL

During the year, the Group began a corporate reorganisation project, initiated to bring under the direct control of BasicNet all of the individual brand-owning companies. The project, which does not entail any change in the Group's ownership structure or equity structure, is designed to ensure a closer focus on the individuals brands and will be completed by the end of 2024.

In particular, during the year, the project involved:

- the conferment of the business unit relating to the management and development of the Kappa, Robe di Kappa and Briko brands (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with the licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) from BasicNet S.p.A. to the newly-established BasicTrademark S.r.l., with deferred effect to July 1, 2022;
- the spin-off of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for Kappa and Robe di Kappa brand stores, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff) from BasicRetail S.r.l. to the newly established Kappa Retail S.r.l., with deferred effect to July 1, 2022;
- the renaming of TOS S.r.l. as Sebago S.r.l., with deferred effect to July 1, 2022;
- the spin-off of the business unit relating to the commercial activity (including, among other matters, the commercial license for the Italian territory, the customer lists and the order portfolio, the business unit lease contracts to the franchisees, all the franchise contracts, the inventories including the goods in consignment stock at the mono-brand stores, the agency contracts, the employment relationships with the sales and marketing staff) of the investment in Kappa Retail S.r.l. by BasicItalia S.p.A., with deferred effect to November 1, 2022;
- the reverse merger of Kappa Europe S.a.s. into Kappa France S.a.s., with retrospective effect to January 1, 2022;
- the spin-off of the Superga brand business unit (including, the brand itself, the relative registrations and all contracts with commercial licensees) from BasicTrademark S.r.l. to Superga S.r.l., with deferred effect to December 31, 2022.
- the conferment of the business unit relating to the management and development of the Superga brand (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) from BasicNet S.p.A. to Superga S.r.l., with deferred effect to December 31, 2022;
- the conferment of the business unit relating to the management and development of the Sebago brand (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) from BasicNet S.p.A. to Sebago S.r.l., with deferred effect to December 31, 2022;
- the renaming of BasicTrademark S.r.l. as Kappa S.r.l., with deferred effect to December 31, 2022.

These corporate transactions, which can be configured as transactions under common control, have had no impact on the financial statements under review. It should also be noted that all transactions were carried out under the tax neutrality regime, pursuant to the provisions of the Consolidated Law on Income Taxes in force.

50. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the Group activities are described in the Directors' Report.

The financial instruments of the BasicNet Group include:

- cash and cash equivalents and bank overdrafts;

- medium/long-term loans and lease financing;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 31.12.2022
	Income Statement	Shareholders' Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	794	794
Interests in joint ventures	-	-	-	184	184
Cash and cash equivalents	-	-	19,476	-	19,476
Trade receivables	-	-	80,896	-	80,887
Other current assets	-	-	9,843	-	9,852
Derivative financial instruments	-	1,011	-	-	1,011
Liabilities:					
Medium/long-term loans	-	-	52,014	-	52,014
Bank payables	-	-	61,338	-	61,338
Trade payables	-	-	100,322	-	100,072
Other current liabilities	-	-	16,830	-	17,071
Derivative financial instruments	-	3,054	-	-	3,054

The financial risk factors, identified in IFRS 7 – Financial instruments: additional disclosures, are described below:

- the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices ("market risk"). The market risk includes the following risks: price, currency and interest rates:
 - a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (other than changes determined from interest rate or currency risk), whether the changes are determined by specific factors related to the financial instrument or its issuer, or whether it is due to factors which influence all similar financial instruments traded on the market ("price risk");
 - b. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices ("currency risk");
 - c. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market interest rates ("interest rate risk");
- the risk that one of the parties that signs a contract of a financial nature does not comply with an obligation ("credit risk");
- the risk that an entity has difficulty in complying with the obligations associated with the financial liabilities ("liquidity risk");
- the risk that the loans within the companies of the Group contain clauses which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk ("default risk").

Price risk

The Group is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the finished products which BasicItalia S.p.A. acquires on international markets, as well as fluctuations in the cost of oil which influences transport costs.

The Group does not hedge these risks as not directly dealing with raw materials but only finished products and is exposed for the part of the increase which cannot be transferred to the final consumer if the market and competitive conditions do not permit such.

Currency risk

The BasicNet Group has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the group is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

At December 31, 2022, unrealised exchange gains were recorded of Euro 669 million, while unrealised exchange losses were recorded of Euro 578 thousand, for a net exchange gain of Euro 91 million.

At the reporting date, there were 31 hedge transactions on US Dollar fluctuations, totalling USD 71.3 million; the relative effects are illustrated in the account “Derivative financial instruments”, in Note 47.

Group Management considers that the management and containment policies adopted for this risk are adequate.

All medium/long-term loans and leasing contracts are in Euro, therefore they are not subject to any currency risk.

Interest rate risk

The composition of the gross financial debt between fixed and variable interest rates at December 31, 2022 is shown below:

	December 31, 2022	%	December 31, 2021	%
Fixed rate	40,974	34.1%	39,696	59.9%
Variable rate	72,378	63.9%	26,554	40.1%
Gross debt	113,352	100.00%	66,249	100.00%

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Note 47. On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at December 31, 2022 the interest rate on long/term loans at that date were 100 basis points higher (or lower) compared to the actual rates, there would be a higher financial charges (lower), before the tax effect, respectively of Euro +354 thousand and Euro -354 thousand.

Credit risk

The doubtful debt provision (Note 29) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 19.4% of trade receivables at December 31, 2022.

Liquidity risk

Liquidity risk is mitigated in the short-term period by the significant generation of cash realised by the “licenses and trademarks” segment, by the significant positive net working capital, and by the overall credit lines provided by the banking system (Note 36).

The table below illustrates the cash flow timing of payments on medium/long-term debt.

	Book value	Future interest income/(expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Unicredit BasicVillage Turin mortgage	-	-	-	-	-	-
Intesa mortgage loan (Cebrosa)	-	-	-	-	-	-
BNL loan	-	-	-	-	-	-
BPM Loan (Real Estate)	30,713	3,865	34,578	3,960	18,223	12,394
MPS loan (Sebago)	4,875	53	4,928	3,295	1,633	-
Banco BPM unsecured loan	5,625	135	5,760	1,561	4,199	-
Kappa Japan brand FGC 662/96 K-WayRetail Loan	4,125	79	4,204	1,136	3,069	-
Banco BPM loan Kappa Japan brand	5,500	125	5,625	1,428	4,196	-
FGC 662/96 loan BasicNet	5,156	110	5,266	1,424	3,842	-
FGC 662/96 loan BasicItalia	5,156	110	5,266	1,424	3,842	-
BPI KE loan	1,000	614	1,061	366	528	-
Subsidised loan "Covid 19" Abanca	167	4	172	69	103	-
Subsidised loan "Covid 19" KSI	329	10	339	145	194	-
Santander KSI loan	-	-	-	-	-	-
Intesa KFF loan	1,200	20	1,220	1,220	-	-
BNP – La Baule	314	17	332	78	253	-
BPI – La Baule	343	19	362	63	299	-
HSBC – Montpellier	203	7	210	48	161	-
BNP – Nice	334	10	344	83	261	-
SGE – Lyon	277	5	283	89	193	-
SGE – Temple (financement Travaux)	110	1	111	47	67	-
BNP – Temple	169	2	171	86	86	-
SGE – Temple	176	2	178	88	88	-
SGE – Biarritz	207	6	213	61	152	-
BPI – Biarritz	206	15	221	83	137	-
BNP – PGE	404	5	409	124	285	-
HSBC – PGE	279	1	281	84	197	-
SGE – PGE	279	1	280	84	196	-
Lease payables	259	4	263	185	78	-
Payables for rights-of-use	30,734	1,185	31,919	7,692	22,398	1,829
Total financial liabilities	98,142	5,853	103,995	24,926	64,681	14,223

Default and debt covenant risk

The risk that the loans within the companies of the Group contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

The loans in place at the reporting date are not subject to financial covenants.

51. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES

The transactions between the Parent Company and its subsidiaries and between the subsidiaries were within the normal operating activities of the Group and were concluded at normal market conditions. The balance sheet and income statement effects of the transactions are eliminated in the consolidation process. Based on the information received from the companies of the Group there were no atypical or unusual operations.

BasicNet S.p.A., and, as consolidated companies, BasicItalia S.p.A., K-Way S.p.A., BasicRetail S.r.l., K-WayRetail S.r.l., KappaRetail S.r.l., Basic Village S.p.A., Jesus Jeans S.r.l., Kappa S.r.l., Sebago S.r.l., Superga S.r.l. and BasicAir S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA

and Kappa France S.a.s. and its subsidiaries are part of the French tax consolidation regime pursuant to Articles 223-A/223-U of the General Tax Code (CGI).

The transactions with related parties for the year ended December 31, 2022 are reported below:

	Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	194	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	7,998

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati with Negri-Clementi, as part of a framework contract, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l.. The agreement is for a duration until July 31, 2023 and provides for an exercise price of the Call Option by BasicWorld equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date.

52. SUBSEQUENT EVENTS

They are described in the Directors' Report.

53. CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

54. CONTINGENT LIABILITIES/ASSETS

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

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

In the initial months of 2018, a tax dispute with the Tax Agency began, following the inspection by the Finance Police for the years 2012 to 2017 at BasicNet S.p.A.. In the tax assessment, the Agency alleges the partial non-deductibility of the Post-employment benefit provision accrual made for the Executive Boards for the years 2012 to 2015, on the basis of an interpretation of the rules governing Post-employment benefits for employees, in the total absence of specific tax rules. The Tax Agency is claiming approx. Euro 360 thousand for IRES, in addition to penalties and interest. Not agreeing with the Tax Agency's interpretation and noting also favourable jurisprudence in similar cases, the Company presented an appeal for all of the years subject to assessment. In March 2019, the Turin Provincial Tax Commission heard the appeal presented by BasicNet. The Tax Agency has appealed against the Tax Commission's decision. The hearing before the Regional Tax Commission held in September 2020 confirmed the Turin Provincial Tax Commission's verdict, finding in favour of BasicNet.

In April 2021, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. In February 2023, Section VI referred the case to Section V of the Supreme Court.

Alleged tax inversion Basic Properties America

On December 28, 2018, a tax assessment was received from the Tax Agency by the subsidiary Basic Properties America, Inc., with registered and administration office in New York-USA, following checks on BasicNet by the Finance Police in 2017, on the basis of the alleged tax inversion claimed by the latter against the US subsidiary. The assessments initially concern financial years 2011, 2012 and 2013, alleging tax evasion in Italy for approx. Euro 3.6 million, in addition to interest and penalties. Tax assessments were also received by BasicTrademark S.A. and SupergaTrademark S.A. for the alleged evasion of VAT for approx. Euro 1 million, on the basis that the royalties paid by Basic Properties America, Inc., for tax purposes considered an Italian company, to these two companies should have been subject to VAT. In July 2019, similar tax assessments for financial year 2014 were received, with claims for additional taxes of approx. Euro 0.3 million and for VAT for approx. Euro 0.1 million.

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

In June 2020, the Tax Agency appealed against the Provincial Tax Commission's decision. In February 2023, the Piedmont Second Instance Tax Court rejected the Tax Agency's grounds of appeal, upholding the first instance decision favorable to the Group.

In May and June 2021, assessment notices relating to 2015 were received, with further demands of approx. Euro 0.2 million for direct taxes and Euro 0.3 million for VAT: the companies prepared their respective appeals, as well as the requests for provisional suspension of the effects. Nonetheless, the collections unit of the tax administration took charge of the amounts demanded, issuing payment demands equal to one-third of the respective assessment notices. In January 2023, the Turin First Instance Tax Court upheld the appeals filed by the Group Companies.

In October 2022, assessment notices relating to 2016 were received, with further demands of approx. Euro 0.4 million for direct taxes and Euro 0.3 million for VAT: the companies prepared their respective appeals, as well as the requests for provisional suspension of the effects. In late February, the Turin First Instance Tax Court suspended the execution of the challenged acts and set a hearing on the merits for June 2023.

The defense panel shall proceed in the process with the relevant offices for each year and level of judgement.

Commercial disputes**FISI pre-emption right**

BasicItalia S.p.A. has exercised, on June 3, 2021, its pre-emption right, under the agreement concluding on April 30, 2022, to enter into a new sponsorship contract for the Italian Winter Sports Federation through the Kappa brand for the four-year period 2022-26, which includes the Milan Cortina 2026 Olympics. Nevertheless, FISI considered that the exercise of the pre-emption right by BasicItalia S.p.A. was not sufficient to conclude a contract and informed the BasicNet Group of its intention to sign a sponsorship agreement with a third party.

Pending the outcome of the related lawsuit, the BasicNet Group filed an application for a precautionary order with the Court of Milan. On July 14, 2022, the collegial Court upheld the complaint brought by the BasicNet Group, finding its reasoning to be justified. The resulting precautionary order recognises a blatant violation of the pre-emption agreement by FISI and orders the Federation to refrain from concluding new contracts with suppliers other than the BasicNet Group until 2026. Nevertheless, FISI totally disregarded the protective order.

The judgment in the case on the merits, issued on February 23, 2023, confirms this protective order and the position of BasicItalia S.p.A., namely that from the moment of BasicItalia S.p.A.'s acceptance of the conditions offered by FISI, and thus from June 3, 2021, a new sponsorship contract was concluded between BasicItalia S.p.A. and FISI for the 2022/23 seasons until the 2025/26 season, also recognising a right of first refusal in favour of Basic Italia S.p.A. for the following four-year period.

As a result, the court ordered FISI to fulfill its contractual obligations, prohibiting FISI from entering into supply and sponsorship contracts with third parties other than BasicItalia S.p.A. and from using in its competitive activities clothing items with trademarks other than those indicated in the contract between BasicItalia S.p.A. and FISI. Regarding damages, the Court ruled that the damage resulting from FISI's breach of duty can only be fully assessed and quantified following the last competitive season until at least 2025/2026.

On behalf of the Board of Directors

The Chairperson

Marco Daniele Boglione

ANNEX 1

DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION

Type of service	Service provider	Company	Fees for 2022
Audit	EY S.p.A.	Parent BasicNet S.p.A.	56,000
		Subsidiaries	164,400
	Network EY	Subsidiaries	142,875
Certification services	EY S.p.A.	Parent BasicNet S.p.A. Subsidiaries	
Other services	EY S.p.A.	Subsidiaries	40,000
Total			403,275

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD

	Registered Office	Corporate purpose	Share capital	Parent company holding (%)
PARENT COMPANY				
BasicNet S.p.A.				
Directly held subsidiaries:				
- BasicAir S.r.l. single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft	EURO 3,000,000	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor for Sebago and Superga, direct stores of the BasicNet Group.	EURO 2,650,000	100
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD 10,000	100
- BasicNet Asia Company Limited	Ho Chi Minh City (Vietnam)	Control activity of the licensees and sourcing centre in Asia.	DONG 462,600,000	100
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD 2,000	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Management of the properties owned in Turin - Largo M. Vitale 1, C.so Regio Parco, 43, C.so Regio Parco, 33, Strada della Cebrosa 106, and Milan - Via dell'Aprica 12	EURO 412,800	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Initially set up to manage the Jesus Jeans brand	EURO 10,000	100
- Kappa S.r.l. (previously Basic Trademark S.r.l.)	Turin (Italy)	Company owning the Kappa, Robe di Kappa, Briko brands and distributor for the brands, managing direct-to-public outlets for the brands' products	EURO 1,300,000	100
- K-Way S.p.A. single shareholder company	Turin (Italy)	Company owning the K-Way brand and distributor for the brand, managing direct-to-public outlets for brand products	EURO 10,050,000	100
- Sebago S.r.l. (previously TOS S.r.l.) single shareholder company	Turin (Italy)	Owner of the Sebago brand and owner of the brand's global collection development and marketing activities.	EURO 50,000	100 ⁽¹⁾
- Superga S.r.l. single shareholder company	Turin (Italy)	Owner of the Superga brand and owner of the brand's global collection development and marketing activities.	EURO 50,000	100
Indirectly held subsidiaries:				
- through Kappa S.r.l. - Kappa France S.a.s.	Saint Herblain (France)	Kappa licensees for the territories of France, Spain, Portugal and United Kingdom	EURO 2,207,600	100
- KappaRetail S.r.l. single shareholder company	Turin (Italy)	From July 1, 2022, a company operating certain retail outlets for products of the Kappa, Robe di Kappa brands	EURO 10,000	100

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
- through BasicItalia S.p.A.					
- BasicRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of sales points.	EURO	10,000	100

- 1) shares subject to a pledge with the Group required to maintain full ownership of the company, in guarantee of the loan issued by MPS Capital Services Banca per le Imprese S.p.A. in July 2017.

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
Indirect subsidiaries (continued):					
- through K-WAY S.p.A.					
- K-WayRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of K-Way brand and product sales points.	EURO	10,000	100
- K-WayRetail SUISSE S.A.	Mendrisio (Switzerland)	Management of the point of sale to the public in Mendrisio, Switzerland of K-Way brand products	CHF	100,000	100
- K-Way France S.a.s.	Paris (France)	Distribution and management of retail outlets of K-Way brand products to the public in France	EURO	150,000	100
- through Kappa France S.a.s.					
- Kappa Retail Monaco S.a.r.l.	Monaco	Company that manages the store in Monaco	EURO	15,000	100
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO	505,588	100
- Preppy Cotton S.A. (in liquidation)	Reidermoos (Switzerland)	Swiss company in liquidation	EURO	101,105	100
- Sport Fashion Distribution UK Ltd (in liquidation)	Manchester (United Kingdom)	British company in liquidation	LIRE STERLING	1	100
- Sport Fashion Retail S.a.r.l.	Saint Herblain (France)	Company operating direct outlets in France	EURO	5,000	100
- Textiles D’Artois S.a.r.l.	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa France Group licensees	EURO	3,000	100

COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered Office	Corporate purpose	Share capital		Share capital Holding (%)
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under joint-venture	EURO	100,000	50 ⁽²⁾

(2) the remaining 50% of the investment is held by the Marsiaj family

ANNEX 3**DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS
PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 “FINANCIAL
INTERMEDIATION ACT”**

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

the adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2022 consolidated financial statements.

In addition, we declare that the consolidated financial statements:

- a) corresponds to the underlying accounting documents and records;
- b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union, and also in accordance with Article 9 of Legislative Decree No. 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer and of the consolidated companies;
- c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione
Chairperson

Federico Trono
Chief Executive Officer

Paola Bruschi
Executive Officer for Financial Reporting

BasicNet S.p.A.

Bilancio consolidato al 31 dicembre 2022

Relazione della società di revisione indipendente
ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e
dell' art. 10 del Regolamento (UE) n. 537/2014

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell' art. 10 del Regolamento (UE) n. 537/2014

Agli azionisti della
BasicNet S.p.A.

Relazione sulla revisione contabile del bilancio consolidato

Giudizio

Abbiamo svolto la revisione contabile del bilancio consolidato del Gruppo BasicNet (il Gruppo), costituito dalla situazione patrimoniale-finanziaria consolidata al 31 dicembre 2022, dal conto economico consolidato, dal conto economico complessivo consolidato, dal prospetto delle variazioni del patrimonio netto consolidato, dal rendiconto finanziario consolidato per l'esercizio chiuso a tale data e dalle note illustrative al bilancio consolidato che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio consolidato fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria del Gruppo al 31 dicembre 2022, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio consolidato* della presente relazione. Siamo indipendenti rispetto alla BasicNet S.p.A. in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Aspetti chiave della revisione contabile

Gli aspetti chiave della revisione contabile sono quegli aspetti che, secondo il nostro giudizio professionale, sono stati maggiormente significativi nell'ambito della revisione contabile del bilancio consolidato dell'esercizio in esame. Tali aspetti sono stati da noi affrontati nell'ambito della revisione contabile e nella formazione del nostro giudizio sul bilancio consolidato nel suo complesso; pertanto su tali aspetti non esprimiamo un giudizio separato.

Abbiamo identificato i seguenti aspetti chiave della revisione contabile:

Aspetti chiave	Risposte di revisione
Valutazione dei marchi e dell'avviamento	
<p>Il valore dei marchi al 31 dicembre 2022 è pari a € 59,7 milioni e l'avviamento alla medesima data ammonta a € 41,8 milioni. Le attività immateriali a vita utile indefinita sono state allocate alle Cash Generating Unit (CGU) del Gruppo relative ai Marchi aziendali.</p> <p>I processi e le modalità di valutazione e determinazione del valore recuperabile di ciascuna CGU, in termini di valore d'uso, sono basati su assunzioni a volte complesse che per loro natura implicano il ricorso al giudizio degli amministratori, in particolare con riferimento alla previsione dei loro flussi di cassa futuri e alla determinazione dei tassi di crescita di lungo periodo e di attualizzazione applicati alle previsioni dei flussi di cassa futuri.</p> <p>In considerazione del giudizio richiesto e della complessità delle assunzioni utilizzate nella stima del valore recuperabile dei marchi e dell'avviamento abbiamo ritenuto che tale tematica rappresenti un aspetto chiave della revisione.</p> <p>L'informativa di bilancio relativa alla valutazione dei marchi e dell'avviamento è riportata nelle note 21. "Attività immateriali" e 23. "Avviamento" e nella nota 5. "Criteri di valutazione".</p>	<p>Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro:</p> <ul style="list-style-type: none"> • l'analisi della procedura posta in essere dal Gruppo in merito a criteri e metodologia dell'impairment test; • la verifica dell'adeguatezza del perimetro delle CGU e dell'allocazione dei valori contabili delle attività e passività alle singole CGU; • l'analisi della ragionevolezza delle previsioni dei flussi di cassa futuri, inclusa la considerazione dei dati e previsioni di settore; • la coerenza delle previsioni dei flussi di cassa futuri di ciascuna CGU con il business plan di Gruppo; • la valutazione delle previsioni, rispetto all'accuratezza storica di quelle precedenti; • la verifica della determinazione dei tassi di crescita di lungo periodo e dei tassi di attualizzazione. <p>Nelle nostre verifiche ci siamo anche avvalsi dell'ausilio di nostri esperti in tecniche di valutazione, che hanno eseguito un ricalcolo indipendente ed effettuato analisi di sensitività sulle assunzioni chiave, al fine di determinare i cambiamenti delle assunzioni che potrebbero impattare significativamente la valutazione del valore recuperabile.</p> <p>Infine, abbiamo verificato l'adeguatezza dell'informativa fornita nelle note illustrative del bilancio in relazione alla valutazione dei marchi e dell'avviamento.</p>
Acquisizione K-Way France	
<p>Il Gruppo ha perfezionato in data 1 aprile 2022 l'acquisizione del licenziatario francese di K-Way, K-Way France S.a.s.. Tale operazione ha comportato in particolare l'iscrizione di un avviamento di Euro 24,5 milioni e di altre attività immateriali a vita utile indefinita per Euro 5,5 milioni. Al 31 dicembre 2022 la passività residua legata al corrispettivo per</p>	<p>Le nostre procedure di revisione in risposta all'aspetto chiave hanno riguardato, tra l'altro:</p> <ul style="list-style-type: none"> • l'esame dell'accordo di acquisizione e delle relative evidenze documentali; • l'analisi e la verifica della corretta rilevazione contabile dell'operazione in applicazione alle disposizioni dell'IFRS 3; • l'analisi di ragionevolezza in merito alla

l'acquisizione risultava pari ad Euro 17 milioni, classificati in parte tra le passività correnti (Euro 7,3 milioni) ed in parte tra le passività non correnti (Euro 9,7 milioni).

Gli effetti contabili della suddetta operazione, in considerazione della significatività della medesima, sono stati ritenuti un aspetto chiave della revisione.

La descrizione analitica dell'operazione e dei suoi effetti è riportata nelle note esplicative al bilancio consolidato in particolare al paragrafo 8. "Aggregazioni aziendali".

stima inerente la componente variabile del corrispettivo pagato (earn-out);

- l'analisi e la verifica del processo di consolidamento, con particolare riferimento ai saldi contabili riferibili alla società di nuova acquisizione;

Infine, abbiamo verificato l'adeguatezza delle informazioni presentate nei prospetti di bilancio e nelle note illustrative in relazione a questo aspetto.

Responsabilità degli amministratori e del collegio sindacale per il bilancio consolidato

Gli amministratori sono responsabili per la redazione del bilancio consolidato che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità del Gruppo di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio consolidato, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio consolidato a meno che abbiano valutato che sussistono le condizioni per la liquidazione della capogruppo BasicNet S.p.A. o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria del Gruppo.

Responsabilità della società di revisione per la revisione contabile del bilancio consolidato

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio consolidato nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio consolidato.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio consolidato, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno del Gruppo;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità del Gruppo di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che il Gruppo cessi di operare come un'entità in funzionamento;
- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio consolidato nel suo complesso, inclusa l'informativa, e se il bilancio consolidato rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.
- abbiamo acquisito elementi probativi sufficienti e appropriati sulle informazioni finanziarie delle imprese o delle differenti attività economiche svolte all'interno del Gruppo per esprimere un giudizio sul bilancio consolidato. Siamo responsabili della direzione, della supervisione e dello svolgimento dell'incarico di revisione contabile del Gruppo. Siamo gli unici responsabili del giudizio di revisione sul bilancio consolidato.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le azioni intraprese per eliminare i relativi rischi o le misure di salvaguardia applicate.

Tra gli aspetti comunicati ai responsabili delle attività di governance, abbiamo identificato quelli che sono stati più rilevanti nell'ambito della revisione contabile del bilancio dell'esercizio in esame, che hanno costituito quindi gli aspetti chiave della revisione. Abbiamo descritto tali aspetti nella relazione di revisione.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014

L'assemblea degli azionisti della BasicNet S.p.A. ci ha conferito in data 27 aprile 2017 l'incarico di revisione legale del bilancio d'esercizio e consolidato della Società per gli esercizi con chiusura dal 31 dicembre 2017 al 31 dicembre 2025.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio consolidato espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla conformità alle disposizioni del Regolamento Delegato (UE) 2019/815

Gli amministratori della BasicNet S.p.A. sono responsabili per l'applicazione delle disposizioni del Regolamento Delegato (UE) 2019/815 della Commissione Europea in materia di norme tecniche di regolamentazione relative alla specificazione del formato elettronico unico di comunicazione (ESEF – European Single Electronic Format) (nel seguito "Regolamento Delegato") al bilancio consolidato, da includere nella relazione finanziaria annuale.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 700B al fine di esprimere un giudizio sulla conformità del bilancio consolidato al 31 dicembre 2022 alle disposizioni del Regolamento Delegato.

A nostro giudizio, il bilancio consolidato al 31 dicembre 2022 è stato predisposto nel formato XHTML ed è stato marcato, in tutti gli aspetti significativi, in conformità alle disposizioni del Regolamento Delegato.

Alcune informazioni contenute nelle note illustrative al bilancio consolidato, quando estratte dal formato XHTML in un'istanza XBRL, a causa di taluni limiti tecnici potrebbero non essere riprodotte in maniera identica rispetto alle corrispondenti informazioni visualizzabili nel bilancio consolidato in formato XHTML.

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari del Gruppo BasicNet al 31 dicembre 2022, incluse la loro coerenza con il relativo bilancio consolidato e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio consolidato del Gruppo BasicNet al 31 dicembre 2022 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio consolidato del Gruppo BasicNet al 31 dicembre 2022 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Dichiarazione ai sensi dell'art. 4 del Regolamento Consob di attuazione del D. Lgs. 30 dicembre 2016, n. 254

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della dichiarazione non finanziaria ai sensi del D. Lgs. 30 dicembre 2016, n. 254. Abbiamo verificato l'avvenuta approvazione da parte degli amministratori della dichiarazione non finanziaria.

Ai sensi dell'art. 3, comma 10, del D. Lgs. 30 dicembre 2016, n. 254, tale dichiarazione è oggetto di separata attestazione di conformità da parte nostra.

Torino, 20 marzo 2023

EY S.p.A.



Stefania Boschetti
(Revisore Legale)

**FINANCIAL STATEMENTS
AND EXPLANATORY NOTES OF BASICNET S.P.A.
AT DECEMBER 31, 2022**

FINANCIAL STATEMENTS AND EXPLANATORY NOTES**BASICNET S.p.A. – INCOME STATEMENT**

<i>(in Euro)</i>	<i>Note</i>	FY 2022	FY 2021	Changes
Direct sales	(8)	2,632,441	2,415,827	216,614
Cost of sales	(9)	(2,295,002)	(2,644,896)	349,894
GROSS MARGIN		337,439	(229,069)	566,509
Royalties and sourcing commissions	(10)	24,052,072	30,131,326	(6,079,254)
Other income	(11)	11,832,279	7,372,266	4,460,013
Sponsorship and media costs	(12)	(657,363)	(1,147,700)	490,337
Personnel costs	(13)	(10,159,935)	(10,202,161)	42,226
Selling, general and administrative costs, royalties expenses	(14)	(17,168,763)	(15,695,801)	(1,472,963)
Amortisation & depreciation	(15)	(4,373,895)	(4,266,442)	(107,452)
EBIT		3,861,834	5,962,420	(2,100,586)
Net financial income (charges)	(16)	(94,050)	(209,758)	115,708
Dividends	(17)	7,000,000	-	7,000,000
Investment income/(charges)	(18)	-	60,903,373	(60,903,373)
PROFIT/(LOSS) BEFORE TAXES		10,767,784	66,656,034	(55,888,250)
Income taxes	(19)	387,712	(966,839)	1,354,551
NET PROFIT		11,155,496	65,689,195	(54,533,699)

BASICNET S.p.A. – COMPREHENSIVE INCOME STATEMENT

<i>(in Euro)</i>	<i>Note</i>	December 31, 2022	December 31, 2021	Changes
<i>Profit for the year (A)</i>		11,155,496	65,689,195	(54,533,699)
Effective portion of the Gains/(losses) on cash flow hedges		-	-	-
Re-measurement of post-employment benefits (IAS 19) (*)		106,648	(28,249)	134,897
Tax effect on other profits/(losses)		(25,595)	6,780	(32,375)
<i>Total other gains/(losses), net of tax effect (B)</i>	<i>(29)</i>	81,053	(21,469)	102,522
Total Comprehensive Profit (A)+(B)		11,236,549	65,667,726	(54,431,177)
- Owners of the parent		11,236,549	65,667,726	(54,431,177)
- Non-controlling interests		-	-	-

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

BASICNET S.p.A. – BALANCE SHEET

<i>(in Euro)</i>	<i>Note</i>	December 31, 2022	December 31, 2021
Intangible assets	(20)	3,969,048	3,767,651
Right-of-use	(21)	7,072,144	8,418,984
Plant, machinery and other assets	(22)	1,966,254	2,863,902
Equity invest. & other financial assets	(23)	112,250,455	105,854,734
Deferred tax assets	(24)	1,664,351	1,665,207
Total non-current assets		126,922,252	122,570,480
Net inventories	(25)	-	199,448
Trade receivables	(26)	3,462,679	6,411,795
Other current assets	(27)	48,285,960	71,122,949
Prepayments	(28)	3,277,898	3,715,270
Cash and cash equivalents	(29)	541,699	1,451,398
Total current assets		55,568,236	82,900,861
TOTAL ASSETS		182,490,488	205,471,341
<i>(in Euro)</i>	<i>Note</i>	December 31, 2022	December 31, 2021
Share capital		31,716,673	31,716,673
Treasury shares		(13,954,869)	(30,647,910)
Other reserves		117,902,282	81,189,668
Net Profit		11,155,496	65,689,195
TOTAL SHAREHOLDERS' EQUITY	(30)	146,819,583	147,947,626
Provision for risks and charges		45,569	-
Loans	(31)	5,472,715	10,776,300
Payables for rights-of-use	(33)	7,124,087	8,440,693
Employee and Director benefits	(34)	1,218,015	2,416,260
Other non-current liabilities	(35)	-	983,052
Total non-current liabilities		13,860,386	22,616,305
Bank payables	(32)	4,630,255	12,854,505
Trade payables	(36)	5,545,163	4,322,269
Tax payables	(37)	5,161,019	5,025,122
Other current liabilities	(38)	6,404,124	12,377,626
Accrued expenses	(39)	69,958	327,887
Total current liabilities		21,810,519	34,907,410
TOTAL LIABILITIES		35,670,905	57,523,715
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		182,490,488	205,471,341

BASICNET S.p.A. – CASH FLOW STATEMENT

<i>(in Euro)</i>	December 31, 2022	December 31, 2021
A) OPENING SHORT-TERM BANK DEBT	(6,559,358)	(10,591,332)
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net Profit	11,155,496	65,689,195
Amortisation & depreciation	4,373,895	4,266,442
Changes in working capital:		
- (increase) decrease in trade receivables	2,949,117	822,090
- (increase) decrease in inventories	(448,061)	231,832
- (increase) decrease in other receivables	(4,303,385)	2,520,068
- increase (decrease) in trade payables	1,222,893	(1,627,697)
- increase (decrease) in other payables	(215,613)	1,233,806
Net changes in employee and Director benefits	(1,015,574)	(119,984)
Others, net	45,569	(60,918,522)
	13,764,338	12,097,231
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(747,040)	(691,879)
- intangible assets	(2,429,450)	(1,873,308)
- financial assets	(5,047,030)	(9,146,628)
Realisable value for fixed asset disposals:		
- tangible assets	161	(19,153)
- intangible assets	-	9,415,796
- financial assets	-	-
	(8,223,359)	(2,315,171)
D) CASH FLOW FROM FINANCING ACTIVITIES		
Net change in inter-company payables/receivables	21,022,852	9,580,254
Undertaking of finance leases	-	66,400
Reimbursement of finance leases	(53,585)	(51,849)
Medium/long term loans (repayments)	-	-
Repayments of medium/long term loans	(5,468,750)	(4,500,000)
Repayment of loans for rights-of-use	(1,316,606)	(1,732,265)
Acquisition of treasury shares	(6,536,517)	(5,969,010)
Distribution of dividends	(6,092,570)	(3,143,616)
	1,554,824	(5,750,086)
E) CASH FLOW IN THE YEAR	7,095,802	4,031,975
F) CLOSING SHORT-TERM BANK DEBT	536,445	(6,559,357)

Interest paid for the year amounts to respectively Euro 182 thousand in 2022 and Euro 209 thousand in 2021, while income taxes paid in the year amounted to Euro 2.9 million in 2022 and Euro 1.2 million in 2021.

BASICNET S.p.A. - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

<i>(in Euro)</i>	Share capital	Treasury shares	Legal Reserve	Treasury shares in portfolio reserve	Remeasurement Reserve IAS19	IFRS16 Reserve	Conferment reserve	Merger reserve	Unrealised exchange gains reserve	Retained earnings/(accumulated losses)	Net profit	Total
Balance at December 31, 2020	31,716,673	(24,678,900)	6,343,334	24,678,900	(115,687)	(86,584)	-	-	62,495	48,732,699	4,739,596	91,392,526
Allocation of result as per Shareholders' AGM resolution of 09/04/2021			-									-
- Legal reserve		-	-	-	-	-	-	-	-	-	-	-
- Unrealised exchange gains reserve		-	-	-	-	-	-	-	112,241	-	(112,241)	-
- Retained earnings		-	-	-	-	-	-	-	-	1,483,739	(1,483,739)	-
- Distribution of dividends		-	-	-	-	-	-	-	-	-	(3,143,616)	(3,143,616)
Acquisition of treasury shares		(5,969,010)	-	5,969,010	-	-	-	-	-	(5,969,010)	-	(5,969,010)
Sale of treasury shares			-		-	-	-	-	-		-	
Result December 31, 2021		-	-	-	-	-	-	-	-	-	65,689,195	65,689,195
Other comprehensive income statement items:												
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	-	-	-	-	-	-
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	(21,469)	-	-	-	-	-	-	(21,469)
<i>Total comprehensive income</i>		-	-	-	(21,469)	-				-	65,689,195	65,667,726
Balance at December 31, 2021	31,716,673	(30,647,910)	6,343,334	30,647,910	(137,156)	(86,584)	-	-	174,736	44,247,428	65,689,195	147,947,626
Allocation of result as per Shareholders' AGM resolution of 13/4/2022			-									-
- Legal reserve		-	-	-	-	-	-	-	-	-	-	-
- Unrealised exchange gains reserve		-	-	-	-	-	-	-	(174,736)	221,238	(46,503)	-
- Retained earnings		-	-	-	-	-	-	-	-	(1,353,249)	-	(1,352,499)
- Distribution of dividends		-	-	-	-	-	-	-	-	-	(4,739,320)	(4,739,320)
- Conferment reserve		-	-	-	-	-	60,903,373		-	-	(60,903,373)	-
Acquisition of treasury shares		(6,536,517)	-	6,536,517		-	-	-	-	(6,536,517)	-	(6,536,517)
Sale of treasury shares		23,229,558	-	(23,229,558)	-	-	-	-	-		-	-
Merger with BasicNewco S.r.l.								264,495				264,495
Result December 31, 2022		-	-	-	-	-	-	-	-	-	11,155,496	11,155,496
Other comprehensive income statement items:												
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	86,584	-	-	-	(86,584)	-	-
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	81,053	-	-	-	-	-	-	81,053
<i>Total comprehensive income</i>		-	-	-	81,053					-	11,155,496	11,236,549
Balance at December 31, 2022	31,716,673	(13,954,869)	6,343,334	13,954,869	(56,104)	-	60,903,373	264,495	-	36,492,317	11,155,496	146,819,584

BASICNET S.p.A. – NET FINANCIAL POSITION

<i>(in Euro)</i>	December 31, 2022	December 31, 2021
Cash and cash equivalents	541,699	1,451,398
Bank overdrafts and bills	(5,255)	(8,010,755)
<i>Sub-total net liquidity available</i>	<i>536,445</i>	<i>(6,559,357)</i>
Short-term portion of medium/long-term loans	(4,625,000)	(4,843,750)
Short-term net financial position – third parties	(4,088,555)	(11,403,107)
“Intesa Loan - FCG”	(3,781,250)	(5,156,250)
“BNL Loan”	-	(625,000)
“MPS Loan”	(1,625,000)	(4,875,000)
Payables for rights-of-use	(7,124,087)	(8,440,693)
Medium/long lease payables	(66,465)	(120,050)
<i>Sub-total loans and leasing – third parties</i>	<i>(12,596,801)</i>	<i>(19,216,993)</i>
Net financial position - third parties	(16,685,357)	(30,620,100)
Group financial receivables / (payables)	36,348,976	57,371,828
Net Financial Position - Group	36,348,976	57,371,828
Total net financial position	19,663,619	26,751,728

The following table shows the composition of the Group's net debt as of December 31, 2022 and December 31, 2021, determined in accordance with the "Guidelines on disclosure requirements under the Prospectus Regulation" issued by ESMA (European Securities & Markets Authority) on March 4, 2021 (ESMA32-382-1138) and implemented by Consob with Attention Reminder No. 5/21 of April 29, 2021.

<i>(in Euro)</i>	December 31, 2022	December 31, 2021
A. Cash	7,720	2,653
B. Other cash equivalents	533,979	1,448,745
C. Securities held for trading	-	-
D. Cash & cash equivalents (A)+(B)+(C)	541,699	1,451,398
E. Current financial receivables	-	-
F. Current bank payables	(5,255)	(8,010,755)
G. Current portion of non-current debt	(4,625,000)	(4,843,750)
H. Other Group financial receivables/ (payables)	36,348,976	57,371,828
I. Current financial debt (F)+(G)+(H)	31,718,721	44,517,323
J. Net current financial debt (I)-(E)-(D)	32,260,421	45,968,721
K. Non-current bank payables	(5,472,715)	(10,776,300)
L. Bonds issued	-	-
M. Other non-current financial payables	(7,124,087)	(8,440,693)
No. Trade payables and other non-current payables	-	-
O. Non-current financial debt (K) + (L) + (M) + (N)	(12,596,801)	(19,216,993)
P. Net financial debt (J) + (O)	19,663,619	26,751,728

BASICNET S.P.A. STATEMENT OF CHANGES IN NET FINANCIAL POSITION

<i>(in Euro)</i>	December 31, 2022	December 31, 2021
A) OPENING NET FINANCIAL POSITION	26,751,727	26,059,845
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit	11,155,496	65,689,195
Amortisation & depreciation	4,373,895	4,266,442
Changes in working capital	(795,049)	3,180,100
Net changes in employee and director benefits	(1,015,574)	(119,984)
Others, net	45,569	(60,918,522)
	13,764,338	12,097,231
C) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset investments	(8,223,520)	(11,711,814)
Realisable value for fixed asset disposals	161	9,396,643
	(8,223,359)	(2,315,171)
D) CASH FLOW FROM FINANCING ACTIVITIES		
Assumption (Reduction) payables for rights-of-use	-	22,448
Acquisition of treasury shares	(6,536,517)	(5,969,010)
Dividend payments	(6,092,570)	(3,143,616)
	(12,629,087)	(9,090,178)
E) CASH FLOW IN THE YEAR	(7,088,108)	691,883
F) CLOSING NET FINANCIAL POSITION	19,663,619	26,751,727

BASICNET S.p.A. – 2022 INCOME STATEMENT PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

<i>(in Euro)</i>	FY 2022	<i>Of which related parties Note 42</i>	FY 2021	<i>Of which related parties Note 42</i>
Direct sales	2,632,441	1,643,511	2,415,827	1,473,769
Cost of sales	(2,295,002)	4,336	(2,644,896)	(83,472)
GROSS MARGIN	337,439		(229,069)	
Royalties and sourcing commissions	24,052,072	2,588,505	30,131,326	5,781,931
Other income	11,832,279	11,371,303	7,372,266	6,528,218
Sponsorship and media costs	(657,363)	(295,386)	(1,147,700)	(696,283)
Personnel costs	(10,159,935)		(10,202,161)	
Selling, general and administrative costs, royalties expenses	(17,168,763)	(2,278,898)	(15,695,801)	(1,711,454)
Amortisation & depreciation	(4,373,895)		(4,266,442)	
EBIT	4,861,834		5,962,420	
Net financial income (charges)	(94,050)	223,211	(209,758)	239,841
Dividends	7,000,000	7,000,000	-	
Investment income/(charges)	-		60,903,373	60,903,373
PROFIT/(LOSS) BEFORE TAXES	11,767,784		66,656,034	
Income taxes	387,712		(966,839)	
NET PROFIT	11,155,496		65,689,195	

BASICNET S.p.A. – BALANCE SHEET AS AT DECEMBER 31, 2022 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

<i>(in Euro)</i>	December 31, 2022	<i>Of which Related parties Notes 23 & 27</i>	December 31, 2021	<i>Of which Related parties Notes 23 & 27</i>
Intangible assets	3,969,048		3,767,651	
Right-of-use	7,072,144		8,418,984	
Plant, machinery and other assets	1,966,254		2,863,902	
Equity invest. & other financial assets	112,250,455	112,218,345	105,854,734	105,822,624
Deferred tax assets	1,664,351		1,665,207	
Total non-current assets	126,922,252		122,570,480	
Net inventories	-		199,448	
Trade receivables	3,462,679		6,411,795	
Other current assets	48,285,960	46,413,277	71,122,949	68,620,732
Prepayments	3,277,898		3,715,270	
Cash and cash equivalents	541,699		1,451,398	
Total current assets	55,568,236		82,900,861	
TOTAL ASSETS	182,490,488		205,471,341	

<i>(in Euro)</i>	December 31, 2022	<i>Of which Related parties Note 38</i>	December 31, 2021	<i>Of which Related parties Note 38</i>
Share capital	31,716,673		31,716,673	
Treasury shares	(13,954,869)		(30,647,910)	
Other reserves	117,902,282		81,189,668	
Net Profit	11,155,496		65,689,195	
TOTAL SHAREHOLDERS' EQUITY	146,819,583		147,947,626	
Provisions for risks and charges	45,569		-	
Loans	5,472,715		10,776,300	
Payables for rights-of-use	7,124,087		8,440,693	
Employee and Director benefits	1,218,015		2,416,260	
Other non-current liabilities	-		983,052	
Total non-current liabilities	13,860,386		22,616,305	
Bank payables	4,630,255		12,854,505	
Trade payables	5,545,163		4,322,269	
Tax payables	5,161,019		5,025,122	
Other current liabilities	6,604,124	3,864,320	12,377,626	9,282,020
Accrued expenses	69,958		327,887	
Total current liabilities	21,810,519		34,907,410	
TOTAL LIABILITIES	35,670,905		57,523,715	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	182,490,488		205,471,341	

BASICNET S.p.A. – CASH FLOW STATEMENT AS AT DECEMBER 31, 2022 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

<i>(in Euro)</i>	December 31, 2022		December 31, 2021	
		<i>Of which related parties</i>		<i>Of which related parties</i>
A) OPENING SHORT-TERM BANK DEBT	(6,559,358)		(10,591,332)	
B) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit	11,155,496		65,689,195	
Amortisation & depreciation	4,373,895		4,266,442	
Changes in working capital:				
- (increase) decrease in trade receivables	2,949,117		822,090	
- (increase) decrease in inventories	(448,061)		231,832	
- (increase) decrease in other receivables	(4,303,385)	(4,488,454)	2,520,068	1,858,374
- increase (decrease) in trade payables	1,222,893		(1,627,697)	
- increase (decrease) in other payables	(215,613)		1,233,806	15,176
Net changes in employee and director benefits	(1,015,574)		(119,984)	
Others, net	45,569		(60,918,522)	
	13,734,959		12,097,231	
C) CASH FLOW FROM INVESTING ACTIVITIES				
Investments in fixed assets:				
- tangible assets	(747,040)		(691,879)	
- intangible assets	(2,429,450)		(1,873,308)	
- financial assets	(5,047,030)		(9,146,628)	
Realisable value for fixed asset disposals:				
- tangible assets	161		(19,153)	
- intangible assets	-		9,415,796	
- financial assets	-		-	
	(8,223,359)		(2,315,171)	
D) CASH FLOW FROM FINANCING ACTIVITIES				
Net change in inter-company payables/receivables	21,022,852	21,022,852	9,580,254	9,580,254
Undertaking of finance leases	-		66,400	
Reimbursement of finance leases	(53,585)		(51,849)	
New medium/long term loans	-		-	
Repayments of medium/long term loans	(5,468,750)		(4,500,000)	
Repayment of loans for rights-of-use	(1,316,606)		(1,732,265)	
Acquisition of treasury shares	(6,536,517)		(5,969,010)	
Distribution of dividends	(6,092,570)		(3,143,616)	
	1,554,824		(5,750,086)	
E) CASH FLOW IN THE YEAR	7,095,802		4,031,975	
F) CLOSING SHORT-TERM BANK DEBT	536,445		(6,559,357)	

The undersigned herewith declares that the present financial statements reflect the underlying accounting entries.

On behalf of the Board of Directors

The Chairperson

Marco Daniele Boglione

EXPLANATORY NOTES

1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin, listed on the Italian Stock Exchange since November 17, 1999, in addition to its main function of Parent Company, provides to its subsidiaries the “Powered by” services, overseeing the continuous and progressive development of the IT platform which enables communication between the various network licensees, as well as undertaking activities of conception, development and communication and the Groups’ Information Technology systems. The Company coordinates and provides subsidiaries with administration, finance and control, legal and payroll management services.

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

The publication of the financial statements of BasicNet S.p.A. for the year ended December 31, 2022 was approved by the Board of Directors on March 9, 2023. The final approval of the accounts is the responsibility of the Shareholders’ AGM.

2. ACCOUNTING PRINCIPLES FOR THE PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements for the year 2022 were prepared in accordance with IFRS issued by the International Accounting Standards Board (“IASB”) and approved by the European Union at the date of the present document. IFRS refers to all the revised International Accounting Standards (IAS), and all of the interpretations of the International Financial Reporting Interpretations Committee (“IFRIC”) - previously known as the Standing Interpretations Committee (“SIC”).

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

The accounting principles utilised in the financial statements are the same as those utilised in the previous year.

Accounting standards, amendments and interpretations applied from January 1, 2022

Onerous Contracts – Costs of Fulfilling a Contract – Amendments to IAS 37

An onerous contract is one in which the non-discretionary costs (e.g. the costs that the Company cannot avoid because it is a party to a contract) required to fulfil the obligations undertaken are greater than the economic benefits theoretically obtainable from the contract.

The amendment clarifies that in determining whether a contract is onerous or loss-generating, an entity must take into account those costs directly related to the contract for the provision of goods or services which include both incremental costs (e.g. the cost of direct labour and materials) and costs directly attributed to contractual activities (e.g. depreciation of equipment used to fulfil the contract and costs for contract management and supervision).

General and administrative expenses are not directly related to a contract and are excluded unless they are explicitly chargeable to the counterparty based on the contract.

Reference to the Conceptual Framework – Amendments to IFRS 3

The amendments replace references to the Framework for the Preparation and Presentation of Financial Statements with references to the Conceptual Framework for Financial Reporting published in March 2018 and without a significant change in the standard’s requirements.

The amendment also added an exception to the measurement principles of IFRS 3 to avoid the risk of potential “day-after” losses or gains arising from liabilities and contingent liabilities that would fall within the scope of IAS 37 Provisions, Contingent Liabilities and Contingent Assets or IFRIC 21 Levies, where contracted separately. The exemption requires that entities apply the requirements of IAS 37 or IFRIC 21, instead of the Conceptual Framework, to determine whether a present obligation exists at the date of acquisition. The amendment also adds a new paragraph to IFRS 3 to clarify that contingent assets do not qualify as recognisable assets at the date of acquisition.

Property, Plant and Equipment: Proceeds before intended Use - Amendment to IAS 16

The amendments prohibits entities from deducting from the cost of an item of property, plant and equipment any proceeds from the sale of products in the period in which the asset is brought to the location or condition necessary to be capable of operating in the manner for which it was designed by management. An entity therefore accounts for the revenues from the sale of those products, and the costs of producing those products in the income statement.

IFRS 1 First-time Adoption of International Financial Reporting Standards – Subsidiary as a first-time adopter

This amendment allows a subsidiary that chooses to apply paragraph D16(a) of IFRS 1 to account for cumulative translation differences based on the amounts recognised by the parent company, considering the date of transition to IFRS by the parent company, if no adjustments had been made to the consolidation procedures and for the effects of the business combination in which the parent company acquired the subsidiary. This amendment also applies to associates or joint ventures that elect to apply paragraph D16(a) of IFRS 1.

IFRS 9 Financial Instruments – Fees in the '10 per cent' test for derecognition of financial liabilities

This amendment clarifies the fees an entity includes in determining whether the terms of a new or modified financial liability are materially different from the terms of the original financial liability. These fees include only those paid or received between the borrower and the lender, including fees paid or received by the borrower or lender on behalf of others. No such amendment has been proposed with regard to IAS 39 Financial Instruments: Recognition and Measurement.

In accordance with the transition rules, the Company will apply this amendment to financial liabilities that are modified or exchanged after or at the date of the first year in which the entity first applies this amendment (first application date). This amendment had no impact on the Group financial statements.

IAS 41 Agriculture – Taxation in fair value measurements

The amendment removes the requirements in paragraph 22 of IAS 41 for the exclusion of cash flows for taxes when measuring the fair value of an asset within the scope of IAS 41.

This amendment had no impact on the Company's financial statements as the Company does not hold assets within the scope of IAS 41 at the reporting date.

3. FORMAT OF THE FINANCIAL STATEMENTS

BasicNet S.p.A. presents its income statement by nature of cost items; the assets and liabilities are classified between current and non-current. The statement of cash flows was prepared applying the indirect method. The format of the financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements.

4. ACCOUNTING POLICIES

The present financial statements were prepared on the going concern basis, and in accordance with the accruals principle. The financial statements are presented in Euro and all values are rounded into thousands of Euro.

The main accounting policies adopted in the preparation of the financial statements at December 31, 2022 are disclosed below:

Revenue recognition

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

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

Company estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the customer.

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

Recognition of costs and expenses

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

Interest income and expenses, and income and charges

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

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

Dividends**Dividends received**

Dividends from investees are recognised in the income statement when the right to receive the dividend is established.

Dividends distributed

Dividends distributed are represented as changes in shareholders' equity in the year in which the Shareholders' AGM approves the distribution and payment.

Translation of balances in foreign currencies

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

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

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

Income taxes

Income taxes include all the taxes calculated on the assessable income of the Company. They are recognised to the income statement, except those relating to accounts directly credited or debited to equity, in which case the tax effect is recognised directly to equity.

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

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the financial statements, with the exception of the goodwill not fiscally deductible and of those differences deriving from investments in subsidiaries for which a write-down is not expected in the future.

Deferred tax assets on fiscal losses and unutilised tax credits carried forward are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

They are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

The Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. BasicNet S.p.A. acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

On September 30, 2019, the Company filed for the renewal of the Patent Box Agreement (2015-2019) in relation to the indirect use of intangible assets (designs) within the scope of intercompany transactions for the period 2020-2024. At the same time, the Company is taking advantage of the "Patent Box" benefit for the indirect use of intangible assets (designs and models and copyrighted software) as part of transactions with third parties, pursuant to the regulations of Article 1, paragraphs 37 - 45 of Law No. 190/2014 and Ministerial Decree 28.11.2017 for the period 2020-2024.

Earnings per share/Diluted earnings per share

In accordance with paragraph 4 of IAS 33 – *Earnings per share*, this latter is only presented at consolidated financial statement level.

Provisions and contingent liabilities

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

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

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

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

Use of estimates

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

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

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

Intangible assets

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

Software development

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

Concessions, brands and similar rights

The patent rights are amortised over ten years.

Plant, machinery and other assets

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

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

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

Description	Estimated useful life years
Plant & machinery	4-8
Furniture and furnishings	5-8
Motor vehicles	4
EDP	5-8

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

Ordinary maintenance costs are fully charged to the income statement.

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

Leased assets

Usage right assets

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

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

Right-of-use assets are subject to impairment.

Lease liabilities

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

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs. In calculating the present value of the payments due, the Company uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined.

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

Short-term leases and low value asset leases

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

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

Impairments

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

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

Measuring recoverable amount

The recoverable value of a non-financial asset is the higher of the fair value less costs to sell and the value in use. For the determination of the value in use, the future cash flows are discounted utilising a rate which reflects the current market value of money and of the related risks of the activity. In the case of activities which do not generate cash flows sufficiently independent, it is necessary to calculate the recoverable value of the cash-generating unit to which the asset belongs.

Write-back of value

The value is recovered when changes take place in the valuations to determine the recoverable value. The recoverable value is recorded in the income statement adjusting the book value of the asset to its recoverable value. This latter must not be above the value which would have been determined, net of depreciation, if no loss in value of the asset had been recorded in previous years.

Equity invest. & other financial assets

Investments in subsidiaries, associates and joint ventures

In the separate financial statements of BasicNet S.p.A. the investments in subsidiaries, associates and joint ventures are recorded at cost, adjusted for any loss in value; the cost includes any directly attributable accessory charges. The positive difference, arising on purchase, between the acquisition cost and the share of net equity of the investment of the Company is, therefore, included in the carrying value of the investment.

Where there is an indication of a loss, the carrying value of the investment must be compared with the recoverable value, represented by the higher between the fair value, net of selling costs, and the value in use. For non-listed investments, the fair value is determined with reference to binding sales agreement. The value in use is determined discounting the expected cash flows from the investment at the weighted average cost of capital, net of the financial debt. The cash flows are determined on the basis of reasonable and identifiable assumptions, represented by the best estimates of the future economic conditions.

Where an impairment loss exists, it is recognised immediately through the income statement. Where the reasons for the write-down no longer exist, the value of the investment is restored within the limit of the original cost through the income statement.

Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, the value of the investment is written down and the share of further losses is recorded as a provision under liabilities if the Company has the obligation to cover such losses.

Other investments

Investments other than those in subsidiaries, associated companies and joint ventures are recognised under non-current assets or current assets if held within the equity of the Company for a period, respectively, of greater than, or not greater than, 12 months.

On acquisition, they are classified to the following categories:

- “financial assets available-for-sale” within non-current or current assets;
- “fair value assets with changes to the book value to the income statement”, within current assets if held-for-trading.

The other investments classified as “financial assets available-for-sale” are measured at fair value; the change to the values of these investments are recognised to a net equity reserve through the other comprehensive income statement items, which will be reversed to the income statement on sale or impairment.

Other non-listed investments classified as “financial assets available-for-sale” for which the fair value may not be reliably estimated are valued at cost, adjusted for impairments to the income statement, according to IAS 39 – *financial instruments: recognition and measurement*.

The reduction in value of other investments classified as “financial assets available-for-sale” may not be subsequently reversed.

Changes in the value of other investments classified as “financial assets at fair value with changes recorded in the income statement” are recognised directly to the Income Statement.

Other financial assets

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

Net inventories

Inventory is valued under the average weighted cost method.

Inventories are measured at the lower of purchase or production cost and their net realisable value.

Inventories include incidental charges and direct and indirect costs that can be reasonably allocated. Obsolete and slow-moving inventories are written down in relation to their possible utilisation or realisable value. When in future periods the reasons for the write-down no longer exist, they are restored to the original value.

Receivables and other current assets

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

Cash and Cash Equivalents

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

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

Accruals and prepayments

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

Treasury shares

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

Provisions for risks and charges

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

Employee benefits

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

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

On June 16, 2011, the IASB issued an amendment to IAS 19 *Employee Benefits*. The new version of IAS 19 requires, in particular, for post-employment benefits, the recognition of the changes of the actuarial gains/losses under other items of the Comprehensive Income Statement. The cost relating to employment services, as well as the interest on the “time value” component in the actuarial calculations remain in the profit and loss account.

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

Payables

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

Cash flow hedges and accounting of relative operations

It is recalled that the BasicNet S.p.A. does not undertake contracts for speculative purposes.

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

It is recalled that BasicNet S.p.A. does not undertake derivative contracts for speculative purposes.

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

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

The Company does not utilise fair value hedge instruments.

a) Fair value hedges

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

The Company does not utilise fair value hedge instruments.

b) Cash flow hedges

The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement. The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

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

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

Hierarchy of Fair Value according to IFRS 7

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

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed (“unadjusted”) in active markets for identical assets or liabilities;
- *level 2*: determination of fair value based on other inputs than the listed prices included in “level 1” but which are directly or indirectly observable. This category includes the instruments with which the Company mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data (“unobservable inputs”).

5. OTHER INFORMATION

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

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

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

EXPLANATORY NOTES TO THE INCOME STATEMENT

6. DISCLOSURE BY OPERATING SEGMENT

As the Company simultaneously publishes the separate and consolidated financial statements, the operating segment information is provided only for the consolidated financial statements in accordance with IFRS 8 – *Operating segments*.

7. OPERATIONS UNDER COMMON CONTROL

During the year, the Group began a corporate reorganisation project, initiated to bring under the direct control of BasicNet all of the individual brand-owning companies. The project, which does not entail any change in the Group's ownership structure or equity structure, is designed to ensure a closer focus on the individuals brands and will be completed by the end of 2024.

In particular, for the Company, the project involved:

- the conferment of the business unit relating to the management and development of the Kappa, Robe di Kappa and Briko brands (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with the licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) to the newly-established BasicTrademark S.r.l., with deferred effect to July 1, 2022;
- the spin-off of the business unit relating to the commercial activity of the Kappa, Robe di Kappa and Briko brands (including, among other matters, the commercial license for the Italian territory, the customer lists and the order portfolio, the business unit lease contracts to the franchisees, all the franchise contracts, the inventories including the goods in consignment stock at the mono-brand stores, the agency contracts, the employment relationships with the sales and marketing staff, of the investments in Kappa Retail S.r.l., in Kappa Europe S.a.s. and in Cecilia S.r.l.) by the subsidiary BasicItalia S.p.A. to the subsidiary BasicTrademark S.r.l., with deferred effect to November 1, 2022;
- the incorporation of the subsidiary BasicNewco S.r.l., which previously had received through the spin-off of BasicTrademark S.r.l. the business unit including the investments in BasicProperties America, Inc. and Sebago S.r.l. (previously "TOS S.r.l."), of the Jesus Jeans brand and of the personnel involved in brand and intellectual property protection, with deferred effect to December 1, 2022;
- the spin-off of the Superga brand business unit (including, the brand itself, the relative registrations and all contracts with commercial licensees) from the subsidiary BasicTrademark S.r.l. to the subsidiary Superga S.r.l., with deferred effect to December 31, 2022;
- the conferment of the business unit relating to the management and development of the Superga brand (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) to Superga S.r.l., with deferred effect to December 31, 2022;
- the conferment of the business unit relating to the management and development of the Sebago brand (including, among other matters, the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with licensees, and employment relationships with the personnel involved in the development of the collections and global marketing) to Sebago S.r.l., with deferred effect to December 31, 2022;
- the renaming of the subsidiary BasicTrademark S.r.l. as Kappa S.r.l., with deferred effect to December 31, 2022.

These corporate transactions, which may be categorised as transactions under common control, were completed in line with book values. It should also be noted that all transactions were carried out under the tax neutrality regime, pursuant to the provisions of the Consolidated Law on Income Taxes in force.

8. DIRECT SALES

The direct sales of products undertaken by the Company refer only to samples of clothing and footwear to licensees. The breakdown of sample sales is as follows:

	FY 2022	FY 2021
Net sales to third parties	988,930	942,058
Net sales to subsidiaries	1,643,511	1,473,769
Total direct sales	2,632,441	2,415,827

Sales to subsidiaries are detailed in Note 42.

9. COST OF SALES

The breakdown of the cost of sales is as follows:

	FY 2022	FY 2021
Samples purchased	1,883,562	1,533,934
Freight charges and accessory purchasing cost	539,491	458,114
Change in inventory of raw materials, ancillary, consumables and goods	(448,061)	231,832
Prototypes purchases and development	173,262	250,832
Others	146,748	170,184
Total cost of sales	2,295,002	2,644,896

Sample purchases were made by BasicNet S.p.A. for the exclusive resale to the licensees. The increase in the year was substantially in line with the increase in sales outlined at Note 8.

10. ROYALTIES AND SOURCING COMMISSIONS

The breakdown of royalties and sourcing commissions by geographic area is reported below.

	FY 2022	FY 2021
Europe	7,754,649	12,700,154
The Americas	3,153,898	3,280,068
Asia and Oceania	11,692,976	12,790,718
Middle East and Africa	1,450,549	1,360,386
Total	24,052,072	30,131,326

Royalty income comprises fees and licenses for know-how and the development of Superga and Sebago brand collections, and the similar fees generated by the Kappa, Robe di Kappa and Briko brands for the the first half of 2022. The first half-year figure for the comparative year included in addition the royalties for the licenses to use the K-Way brand.

Sourcing commissions stem from usage rights of the know-how and are charged to the licensee producers on the sales made by them to the licensees of the Network.

The movement is mainly due to the transactions outlined at Note 7.

11. OTHER INCOME

	FY 2022	FY 2021
Assistant services to Group companies	11,371,302	6,516,443
Other income	460,977	855,823
Total other income	11,832,279	7,372,266

The “revenues for assistant services to Group companies” originates from assistance and consultancy in administration and finance, payroll, commercial contract agreements and IT services provided by the Parent Company to the subsidiaries and include in addition the fees for the “Powered by” services.

“Other income” in 2022 includes income from co-branded production contracts, recovery of legal fees on settlements reached and positive differences on prior year expenses, income from the “bonus facciate” (building facade tax relief), as well as minor items.

12. SPONSORSHIP AND MEDIA COSTS

	FY 2022	FY 2021
Promotional expenses	403,847	629,427
Advertising	243,516	258,789
Communication contributions	10,000	259,483
Total sponsorship and media costs	657,363	1,147,700

Communication contributions are paid to commercial licensees for international communication and endorsement activities

13. PERSONNEL COSTS

	FY 2022	FY 2021
Wages and salaries	7,211,679	7,156,580
Social security charges	2,403,901	2,505,540
Post-employment benefits	544,355	540,041
Total	10,159,935	10,202,161

Personnel costs include all charges relating to the provision of employment services of BasicNet S.p.A.. The changes in the headcount during the year were as follows:

Category	Human resources at December 31, 2022				Human resources at December 31, 2021			
	Number		Average age		Number		Average age	
	Male/Female	Total	Male/Female	The media	Male/Female	Total	Male/Female	The media
Executives	14 / 5	19	48 / 53	49	16 / 6	22	47 / 53	49
White-collar	33 / 80	113	42 / 43	42	61 / 137	198	37 / 38	38
Blue-collar	1 / 1	2	42 / 47	44	1 / 1	2	41 / 46	43
Total	48 / 86	134	44 / 43	43	78 / 144	222	39 / 39	39

The average number of Employees in 2022 was 192, comprising 21 executives, 169 white-collar employees and 2 blue-collar employees.

14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

The breakdown of service costs is presented in the table below:

	FY 2022	FY 2021
Commercial expenses	3,618,796	3,186,680
Rental, accessory and utility expenses	3,900,785	3,561,609
Directors and Statutory Auditors emoluments	3,182,538	2,640,823
Doubtful debt provision	399,887	737,627
Sales services	600,862	558,950
Professional consultants	1,625,215	1,566,092
Other general expenses	3,840,680	3,444,020
Total selling, general and administrative costs, and royalties	17,168,763	15,695,801

“Commercial expenses” include costs related to the commercial activities, travel expenses and consulting costs for stylistic and graphic material.

“Rental, accessory and utility expenses” principally relate to the offices of the company, owned by the subsidiary Basic Village S.p.A.

The company’s remuneration policy, as well as Directors and Statutory Auditors emoluments for the offices held, pursuant to Article 78 of Consob Regulation No. 11971/97 and thereafter are reported in the Remuneration Report pursuant to Article 123-ter of the CFA (reported net of tax charges) which is available on the company’s website www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp, to which reference should be made.

“Sales services” include expenses for exporting samples in addition to “royalties’ charges” principally relating to co-branding operations.

“Professional consultants” increased also due to the professional fees for the corporate transactions, as per Note 7.

“Other general expenses” includes bank charges, other taxes, consumption materials, hire charges, and corporate and other minor expenses.

15. AMORTISATION & DEPRECIATION

	FY 2022	FY 2021
Intangible assets	1,828,037	1,695,633
Right-of-use	1,785,563	1,767,007
Property, plant and equipment	760,295	803,802
Total amortisation & depreciation	4,373,895	4,266,442

16. NET FINANCIAL INCOME/(CHARGES)

	FY 2022	FY 2021
Interest on bank deposits	1,050	168
Intercompany interest income	245,659	116,087
Bank interest charges	(4,059)	(20,077)
Interest on medium/long term loans	(174,714)	(187,980)
Medium/long term loan charges	(13,276)	(13,333)
Other interest charges	(27,251)	(5,541)
Interest IFRS 16	(78,824)	(130,112)
IAS 19 interest	(11,243)	(5,967)
Total financial income and charges	(167,682)	(323,284)
Exchange rate gains	1,038,150	877,769
Exchange rate losses	(964,518)	(764,243)
Net exchange gains/(losses)	73,632	113,526
Total financial income/(charges)	(94,050)	(209,758)

“Intercompany interest income” derives from operations during the year and regulated through intercompany accounts, remunerated at market rates.

“Interest on medium/long-term loans” refers to the “Intesa Loan - FCG”, the “BNL Loan” and the “MPS Loan” as described at Note 31.

“Exchange gains realised” in 2022 amounted to Euro 793 thousand and “exchange losses realised” amounted to Euro 541 thousand. The translation of credit and debit balances at year-end resulted in the recognition of “unrealised exchange gains” of Euro 245 thousand and “unrealised exchange losses” of Euro 423 thousand.

17. DIVIDENDS

The company in 2022 received dividends from Kappa S.r.l. with sole shareholder (previously Basic Trademark S.r.l.).

18. INVESTMENT INCOME/(CHARGES)

The item included in the comparative year the extraordinary, non-recurring gain of Euro 60.9 million, which is equal to the difference between the increase in capital in K-Way S.p.A. and the net book value of the assets and liabilities included in the business unit transferred.

19. INCOME TAXES

Income taxes (Euro 388 thousand) comprises current taxes of Euro 2.1 million, mainly Euro 1.4 million for IRES, Euro 0.7 million for IRAP, the release of Euro 0.2 million for deferred tax charges, the benefits from application of the "Patent Box" rule for Euro 2.2 million and other minor items for Euro 0.1 million.

The reconciliation between the theoretical and actual rate is shown below:

	FY 2022	FY 2021
Profit before taxes	10,767,784	66,656,034
Income tax rate	24.0%	24.0%
<i>Theoretical IRES</i>	<i>(2,584,268)</i>	<i>(15,997,448)</i>
Permanent tax differences effect	1,279,038	14,362,132
Prior year taxes	44,187	(155,297)
Patent Box benefit	2,253,213	1,496,012
IRAP	(653,567)	(595,725)
Other changes	49,109	(76,513)
EFFECTIVE TAX CHARGE	387,712	(966,839)
Effective tax rate	3.6%	(1.5%)

The effective tax rate in the previous year was heavily influenced by the income resulting from the tax-neutral contribution of the K-Way business unit to K-Way S.p.A..

EXPLANATORY NOTES TO THE BALANCE SHEET

20. INTANGIBLE ASSETS

The breakdown of intangible assets at December 31, 2022 compared to the previous year-end and the movements during the year are reported in the table below:

	December 31, 2022	December 31, 2021	Changes
Concessions, brands and similar rights	271,739	212,798	58,941
Other intangible assets	3,644,696	3,461,876	182,820
Industrial patents & intellectual property rights	52,613	92,977	(40,364)
Total intangible assets	3,969,048	3,767,651	201,397

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands, similar rights	Other intangible assets	Industrial patents	Total
Historic cost at 1.1.2021	14,373,836	36,053,849	210,679	50,638,364
<i>Additions</i>	<i>133,693</i>	<i>1,735,265</i>	<i>4,350</i>	<i>1,873,008</i>
<i>Divestments</i>	<i>-</i>	<i>(1,503)</i>	<i>(3,852)</i>	<i>(5,355)</i>
<i>Conferments</i>	<i>(9,409,573)</i>	<i>(868)</i>	<i>-</i>	<i>(9,410,441)</i>
Historic cost As at 31.12.2021	5,097,956	37,786,743	211,177	43,095,876
<i>Additions</i>	<i>57,425</i>	<i>1,932,643</i>	<i>660</i>	<i>1,990,728</i>
<i>Divestments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Corporate transactions</i>	<i>106,634</i>	<i>(81,118)</i>	<i>(42,329)</i>	<i>(16,813)</i>
Historic cost As at 31.12.2022	5,262,015	39,638,268	169,508	45,069,791

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands, similar rights	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2021	(4,780,517)	(32,750,455)	(101,619)	(37,632,592)
<i>Amortisation</i>	<i>(104,640)</i>	<i>(1,574,411)</i>	<i>(16,582)</i>	<i>(1,695,633)</i>
<i>Reclass.</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Acc. Amort. As at 31.12.2021	(4,885,157)	(34,324,866)	(118,201)	(39,328,224)
<i>Amortisation</i>	<i>(90,015)</i>	<i>(1,725,282)</i>	<i>(12,740)</i>	<i>(1,828,037)</i>
<i>Corporate transactions</i>	<i>(15,103)</i>	<i>56,577</i>	<i>14,045</i>	<i>55,519</i>
Acc. Amort. As at 31.12.2022	(4,990,275)	(35,993,571)	(116,896)	(41,100,742)

The changes in intangible assets during 2022 are shown in the table below:

	Concessions, brands, similar rights	Other intangible assets	Industrial patents	Total
Net book value at 1.1.2021	9,593,318	3,303,393	109,061	13,005,773
<i>Additions</i>	<i>133,693</i>	<i>1,735,265</i>	<i>4,350</i>	<i>1,873,308</i>
<i>Divestments</i>	<i>-</i>	<i>(1,503)</i>	<i>(3,852)</i>	<i>(5,355)</i>
<i>Conferments</i>	<i>(9,409,573)</i>	<i>(868)</i>	<i>-</i>	<i>(9,410,441)</i>
<i>Amortisation</i>	<i>(104,640)</i>	<i>(1,574,411)</i>	<i>(16,582)</i>	<i>(1,685,633)</i>
Net book value at 31.12.2021	212,798	3,461,876	92,977	3,767,651
<i>Additions</i>	<i>57,425</i>	<i>1,932,643</i>	<i>660</i>	<i>1,990,728</i>
<i>Divestments</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<i>Corporate transactions</i>	<i>91,531</i>	<i>(24,541)</i>	<i>(28,284)</i>	<i>38,706</i>
<i>Amortisation</i>	<i>(90,015)</i>	<i>(1,725,282)</i>	<i>(12,740)</i>	<i>(1,828,037)</i>
Net book value at 31.12.2021	271,739	3,644,696	52,613	3,969,049

At December 31, 2022, the intangible assets report investments of Euro 2.0 million and amortisation of Euro 1.8 million.

The investments in “concessions, brands and similar rights” are due to the purchase of software licenses.

The breakdown of “other intangible assets” is as follows:

	December 31, 2022	December 31, 2021	Changes
Software development	3,640,405	3,439,734	200,671
Other intangible assets	4,291	22,142	(17,851)
Total other intangible assets	3,644,696	3,461,876	182,820

The account increased Euro 1.9 million, principally due to the implementation of new software programmes realised internally and decreased Euro 1.7 million due to the amortisation for the year.

21. RIGHT-OF-USE

The Company adopted IFRS 16 and utilised the exceptions under the standard on leasing contracts which, at the date of initial application, have a duration of equal to or less than 12 months and which do not contain a purchase option (“short-term leasing”) and on leases whose underlying asset is of a low value (“low value asset”).

	December 31, 2022	December 31, 2021	Changes
Right-of-use	7,072,144	8,418,984	(1,346,840)
Total right-of-use	7,072,144	8,418,984	(1,346,840)

The changes in the right-of-use were as follows:

	Historic cost	Accumulated depreciation	Net book value
Values at 01.01.21	19,475,346	(9,300,230)	10,175,117
<i>Additions</i>	<i>351,443</i>	<i>-</i>	<i>351,443</i>
<i>Disposals and other changes</i>	<i>(9,235,432)</i>	<i>8,894,864</i>	<i>(340,568)</i>
<i>Depreciation</i>	<i>-</i>	<i>(1,767,007)</i>	<i>(1,767,007)</i>
Values at 31.12.22	10,591,357	(2,172,373)	8,418,984
<i>Additions</i>	<i>438,723</i>		<i>438,723</i>
<i>Disposals and other changes</i>	<i>-</i>		<i>-</i>
<i>Depreciation</i>	<i>-</i>	<i>(1,785,563)</i>	<i>(1,785,563)</i>
Values at 31.12.22	11,030,080	(3,957,936)	7,072,144

22. PLANT, MACHINERY AND OTHER ASSETS

The breakdown of plant, machinery and other assets at December 31, 2022 compared to the previous year is shown in the table below:

	December 31, 2022	December 31, 2021	Changes
Plant & machinery	11,978	18,119	(6,141)
Industrial and commercial equipment	113,085	80,440	32,644
Other assets	1,841,191	2,765,343	(924,152)
Total plant, machinery and other assets	1,966,254	2,863,902	(897,648)

The changes in the historical cost of plant, machinery and other assets were as follows:

	Plant & machinery	Industrial and commercial equipment	Other assets	Total
Historic cost at 1.1.2021	272,344	443,493	10,842,285	11,558,120
<i>Additions</i>	<i>7,603</i>	<i>15,755</i>	<i>668,521</i>	<i>691,879</i>
<i>Divestments</i>	<i>-</i>	<i>-</i>	<i>(175,539)</i>	<i>(175,539)</i>
<i>Reclass.</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
Historic cost As at 31.12.2021	279,945	459,248	11,335,267	12,074,460
<i>Additions</i>	<i>2,670</i>	<i>65,184</i>	<i>679,186</i>	<i>747,040</i>
<i>Divestments</i>	<i>-</i>	<i>-</i>	<i>(52,891)</i>	<i>(52,891)</i>
<i>Conferments</i>	<i>-</i>	<i>-</i>	<i>(2,582,608)</i>	<i>(2,582,608)</i>
Historic cost As at 31.12.2022	282,615	524,433	9,378,952	10,186,000

The changes in the relative accumulated depreciation provisions were as follows:

	Plant & machinery	Industrial and commercial equipment	Other assets	Total
Acc. Deprec. at 1.1.2021	(249,817)	(350,250)	(7,961,737)	(8,561,803)
<i>Depreciation</i>	<i>(12,011)</i>	<i>(28,556)</i>	<i>(763,234)</i>	<i>(803,802)</i>
<i>Divestments</i>	-	-	155,048	155,048
Acc. Deprec. As at 31.12.2021	(261,827)	(378,808)	(8,569,922)	(9,210,557)
<i>Depreciation</i>	<i>(8,811)</i>	<i>(32,540)</i>	<i>(718,944)</i>	<i>(760,294)</i>
<i>Divestments</i>	-	-	52,731	52,731
<i>Conferments</i>	-	-	1,698,375	1,698,375
Acc. Deprec. As at 31.12.2022	(270,638)	(411,348)	(7,537,760)	(8,219,745)

The changes in the plant and machinery are shown in the table below:

	Plant & machinery	Industrial and commercial equipment	Other assets	Total
Net book value at 1.1.2021	22,527	93,242	2,880,547	2,996,316
<i>Additions</i>	<i>7,603</i>	<i>15,755</i>	<i>668,521</i>	<i>691,879</i>
<i>Divestments</i>	-	-	<i>(20,491)</i>	<i>(20,491)</i>
<i>Depreciation</i>	<i>(12,011)</i>	<i>(28,556)</i>	<i>(763,234)</i>	<i>(803,802)</i>
Net book value at 31.12.2021	18,119	80,440	2,765,343	2,863,902
<i>Additions</i>	<i>2,670</i>	<i>65,184</i>	<i>679,186</i>	<i>747,040</i>
<i>Divestments</i>	-	-	<i>(161)</i>	<i>(161)</i>
<i>Depreciation</i>	<i>(8,811)</i>	<i>(32,540)</i>	<i>(718,944)</i>	<i>(760,294)</i>
<i>Conferments</i>	-	-	<i>(884,233)</i>	<i>(884,233)</i>
Net book value at 31.12.2022	11,978	113,085	1,841,191	1,966,254

This account “other assets” consist of:

	December 31, 2022	December 31, 2021	Changes
EDP	810,876	809,971	905
Furnishings and fittings	415,951	408,158	7,793
Motor vehicles	24,931	53,929	(28,997)
Other assets	589,433	1,493,285	(903,852)
Total other assets	1,841,191	2,765,343	(924,152)

Additions in the year relates to the acquisition of EDP for Euro 810 thousand, Furniture, fittings and telephone for Euro 415 thousand and motor vehicles for Euro 25 thousand and other minor assets.

The account “other assets” includes the purchase cost of an IT collection comprising rare pieces which represents significant elements and representative of the IT revolution, in the 1970's and 1980's with the advent of the new personal computer. This collection is utilised in many events related to the promotion of the brands and logos of the Group.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2022	Net value at December 31, 2021	Changes
EDP	84,500	118,217	(33,717)
Motor vehicles	24,275	46,202	(21,927)
Total	107,775	164,419	(55,644)

The net book value at December 31, 2022 of property, plant and equipment acquired according to the finance lease formula relates to EDP for approx. Euro 118 thousand and motor vehicles for approx. Euro 46 thousand.

23. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

Reference should be made to Attachment 2 for information on the book value of the investments in subsidiaries and changes in the year and the relative portion of shareholders' equity.

	December 31, 2022	December 31, 2021	Changes
Investments in:			
- Subsidiaries	112,218,345	105,822,624	6,395,721
- Other companies	127	127	-
Total investments	112,218,472	105,822,751	6,395,721
Receivables:			
- Other receivables	31,983	31,983	-
Total financial receivables	31,983	31,983	-
Total investments & other financial assets	112,250,455	105,854,734	6,395,721

In line with the practice adopted by other large listed groups in Italy, BasicNet S.p.A. identifies in the negative differential between the share of net equity held in the subsidiary and its book value an indicator of an impairment for the investments of control in its financial statements. In such cases, the company verifies for additional indicators of impairment and investigates their possible origin, undertaking an impairment test where appropriate. At December 31, 2022, it was not necessary to carry out an impairment test of a number of investments held.

Other receivables refer to guarantee deposits.

24. DEFERRED TAX ASSETS

The breakdown is shown below:

	December 31, 2022	December 31, 2021	Changes
Deferred tax assets	1,664,351	1,665,207	(120,856)
Total deferred tax assets	1,664,351	1,665,207	(120,856)

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes.

The deferred tax assets and liabilities recognised and their impact are reported in the table below:

(in Euro thousands)	December 31, 2022			December 31, 2021		
	Temporary differences	Rate %	Tax effect	Temporary differences	Rate %	Tax effect
<i>Deferred tax assets:</i>						
- Excess doubtful debt provision not deductible	(6,004)	24.0%	(1,441)	(5,693)	24.0%	(1,366)
- Inventory obsolescence provision	(285)	24.0%	(84)	(1,399)	24.0%	(335)
- Misc. charges temporarily non-deductible	(539)	24.0%	(129)	(40)	24.0%	(9)
- Prudent exchange differences, net	(178)	24.0%	(43)	221	24.0%	53
Total	(7,005)		(1,697)	(6,910)		(1,658)
<i>Deferred tax liabilities:</i>						
- Effect IAS 19 – Employee Benefits	137	24.4%	33	(30)	240%	(7)
Total	137		33	(30)		(7)
Deferred tax liabilities (asset) as per financial statements			(1,664)			(1,665)

Deferred tax assets are recorded considering probable their recovery based on future profit expectations, and principally relate to non-deductible doubtful debt provisions (approx. Euro 1.4 million) and other minor items (approx. Euro 0.2 million).

25. NET INVENTORIES

The composition of the item is as follows:

	December 31, 2022	December 31, 2021	Changes
Finished products and goods	282,877	1,596,508	(1,313,631)
Gross value	282,877	1,596,508	(1,313,631)
Inventory obsolescence provision	(282,877)	(1,397,060)	1,114,183
Total net inventories	-	199,448	199,448

“Inventories” includes samples to be sold to licensees. At December 31, 2022, they were fully written down. The movements in the provision during the year were as follows:

	December 31, 2022	December 31, 2021
Inventory obsolescence provision at 01.01	1,397,060	2,192,775
Provisions in the year	(386,953)	(150,000)
Utilisations		100,000
Conferment to K-Way S.p.A.		(845,715)
Conferment to Kappa S.r.l.	(586,840)	-
Conferment to Superga S.r.l.	(64,776)	-
Conferment to Sebago S.r.l.	(75,614)	-
Inventory obsolescence provision at 31.12	282,877	1,397,060

26. TRADE RECEIVABLES

	December 31, 2022	December 31, 2021	Changes
Trade receivables - Italy	188,067	206,935	(18,869)
Trade receivables - Abroad	9,847,387	12,154,429	(2,307,042)
Doubtful debt provision	(6,572,775)	(5,949,569)	(623,206)
Total trade receivables	3,462,679	6,411,795	(2,949,117)

In particular, the breakdown of foreign receivables is as follows:

	December 31, 2022	December 31, 2021	Changes
Europe	333,843	1,148,494	(814,652)
The Americas	1,626,189	1,815,040	(188,851)
Asia and Oceania	7,461,157	9,040,466	(1,579,310)
Middle East and Africa	426,198	150,428	275,770
Total	9,847,387	12,154,429	(2,307,042)

“Trade receivables” were written down to their realisable value through the doubtful debt provision, although the majority of the receivables are secured by bank guarantees.

The provision at the end of the year represents a prudent estimate of the risk. The movements in the doubtful debt provision during the year were as follows:

	FY 2022	FY 2021
Doubtful debt provision at 01.01	5,949,569	5,259,436
Utilization for administration procedures and other losses	(170,937)	(236,873)
Provisions in the year	394,256	737,627
Adjustment of provision on foreign currency receivables	399,887	189,279
Doubtful debt provision at 31.12	6,572,775	5,949,569

The utilisation of the provision relates to the write-off made on the certainty of the receivable irrecoverability and consequent tax deductibility of the loss.

The book value of receivables, all due within one year, is in line with their fair value.

27. OTHER CURRENT ASSETS

	December 31, 2022	December 31, 2021	Changes
Receivables from Group companies	46,413,277	68,620,732	(22,207,455)
Tax receivables	777,851	621,450	156,401
Other receivables	1,094,832	1,880,767	(785,935)
Total other current assets	48,285,960	71,122,949	(22,836,989)

The breakdown of “receivables from Group companies” is as follows:

	December 31, 2022	December 31, 2021	Changes
<i><u>Trade receivables</u></i>			
BasicItalia S.p.A.. with sole shareholder	424,477	525,619	(101,143)
BasicNet Asia Company Limited (Vietnam) Ltd	66,173	58,240	7,933
Kappa France S.a.s.	-	2,218,290	(2,218,290)
K-Way France S.a.s.	6,611	-	6,611
KappaRetail S.r.l. with sole shareholder	54	-	54
Preppy Cotton AG	-	27,463	(27,463)
BasicAir S.r.l. with sole shareholder	5	-	5
BasicRetail S.r.l. with sole shareholder	863	-	863
Sebago S.r.l. with sole shareholder (previously TOS S.r.l.)	154,020	16,111	137,909
Kappa S.r.l. with sole shareholder	2,266,660	-	2,266,660
Kappa France S.a.s.	2,944,565	6,007	2,938,558
Jesus Jeans S.r.l. with sole shareholder	726	8,105	(7,379)
K-Way S.p.A. with sole shareholder	1,885,238	409,863	1,475,374
K-WayRetail S.r.l. with sole shareholder	5,429	5,833	(404)
K-WayRetail SUISE (previously BasicRetail SUISE)	9,000	1,667	7,333
Basic Village S.p.A. with sole shareholder	2,215	383	1,831
Fashion S.r.l.	297	297	-
Total trade receivables	7,766,333	3,277,879	4,488,454
<i><u>Financial receivables</u></i>			
BasicItalia S.p.A.. with sole shareholder	-	-	-
Kappa France S.a.s.	1,400,000	4,000,000	(2,600,000)
Sebago S.r.l. with sole shareholder (previously TOS S.r.l.)	7,752,003	9,198,488	(1,446,485)
Basic Village S.p.A.. with sole shareholder	1,113,532	21,086,478	(19,972,946)
K-Way S.p.A. with sole shareholder	24,692,066	27,900,849	(3,208,783)
K-WayRetail S.r.l. with sole shareholder	3,689,343	838,292	(2,851,050)
BasicRetail S.r.l. with sole shareholder	-	1,981,030	(1,981,030)
BasicAir S.r.l. with sole shareholder	-	337,716	(337,716)
Total financial receivables	38,646,944	65,342,853	(26,695,909)
Total	46,413,277	68,620,732	22,207,455

Financial receivables originate from loans and advances for the cash needs of the subsidiaries within the centralised treasury management; these receivables are at market interest rates and vary in accordance with the financial cash flow needs within the Group.

The decrease in “financial receivables” from Basic Village S.p.A. is due to the obtaining, by the subsidiary, of a mortgage to support investment linked to the purchase and restructuring of the property located in Milan. No receivables have a residual duration of above 5 years.

The account “tax receivables” includes mainly withholdings on royalties totalling Euro 484 thousand and the IRAP advance for Euro 193 thousand.

The account “other receivables” for Euro 0.5 million includes the premium paid to the insurance company against the Directors Termination Indemnities for the Chairman of the Board of Directors of Euro 1.5 million, as approved by the Shareholders’ Meeting for the 2022-2024 three-year mandate, as described in the Remuneration Report to which reference should be made and other minor amounts.

28. PREPAYMENTS

The table below shows the breakdown of the account:

	December 31, 2022	December 31, 2021	Changes
Expenses pertaining to future collections	2,632,872	3,307,654	(674,783)
Rentals, leases, hire and other	389,808	65,527	324,281
Assistance and maintenance contract	228,225	325,335	(97,110)
Royalties charges	9,878	-	9,878
Others	17,115	16,754	361
Total prepayments	3,277,898	3,715,270	(437,373)

Prepayments include sample costs, trade fairs and exhibitions for future collections and the relative sales meetings.

29. CASH AND CASH EQUIVALENTS

	December 31, 2022	December 31, 2021	Changes
Bank and postal deposits	533,979	1,448,745	(914,766)
Cash in hand and similar	7,720	2,653	5,067
Total cash and cash equivalents	541,699	1,451,398	(909,698)

“Bank deposits” refer to temporary current account balances principally due to receipts from clients.

30. SHAREHOLDERS' EQUITY

	December 31, 2022	December 31, 2021	Changes
Share capital	31,716,673	31,716,673	-
Treasury shares	(13,954,869)	(30,647,910)	16,693,041
Legal reserve	6,343,335	6,343,334	-
Treasury shares in portfolio reserve	13,954,869	30,647,910	(16,693,041)
Other reserves:			
- cash flow hedge reserve	-	-	-
- remeasurement reserve for defined benefit plans (IAS 19)	(56,105)	(137,156)	81,053
- conferment reserve	60,903,373	-	60,903,373
- merger reserve	264,495	-	264,495
- retained earnings	36,492,316	44,247,428	(7,755,112)
- IAS 19 Reserve	-	(86,584)	86,584
- unrealised exchange gains reserve	-	174,736	(174,736)
Net profit/(loss)	11,155,496	65,689,195	(54,533,699)
Total Shareholders' Equity	146,819,583	147,947,626	(1,128,043)

The account includes:

- the “*legal reserve*”, amounting to approx. Euro 6.3 million, did not record further increases in the year;
- The “*reserve for treasury shares in portfolio*”, amounting to Euro 14 million, which equates to the carrying value of the BasicNet shares held in portfolio at year-end, and was set up through utilisation of the “Retained earnings” following the Shareholders’ AGM resolution, which authorised the purchase of treasury shares;
- The “*re-measurement reserve for employee defined benefit plans (IAS 19)*” refers to the changes in the actuarial gains/losses (“*re-measurement*”). The valuation is shown net of the tax effect. This reserve is not available for distribution;
- The “*retained earnings*”, which decreased compared to the end of the previous year following the allocation of the result for the previous year, as approved by the Shareholders’ AGM of April 13, 2022, net of the decrease for the acquisition of treasury shares and the reclassification of the exchange gains and IFRS 16 reserves of the previous year;
- The “*legal reserve*” increased following the allocation of the result for the previous year, as approved by the Shareholders’ AGM of April 13, 2022
- the “*merger reserve*” increased due to the incorporation of the subsidiary BasicNewco S.r.l as described at Note 7
- the “*IFRS 16 reserve*” which includes the effects of the application by the company of this standard was reclassified to “retained earnings/accumulated losses”;
- The “*unrealised exchange gains reserve*” was entirely reclassified to retained earnings/accumulated losses.

Pursuant to Article 110 of Legislative Decree No. 104/2020, which allowed for the partial realignment of the tax value of the brands then the portfolio to the higher value recorded in the financial statements, the Company in 2020 tied up its reserves subject to tax suspension for an amount of Euro 5.2 million equal to the higher values realigned.

On May 30, 2022, the Extraordinary Shareholders' Meeting of the company approved the elimination from Article 5 of the By-Laws - Share Capital - the reference to the nominal value of the shares, to cancel 6,993,602 treasury shares with no nominal value held by the Company, maintaining the amount of share capital unchanged.

Following this motion, the share capital BasicNet S.p.A. amounts to Euro 31,716,673.04, comprising 54,000,000 ordinary shares without par value.

In May 2022, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 13, 2022, in relation to the allocation of the 2021 net profit, a dividend of Euro 0.12 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 6.1 million.

Based on the share buy-back programme, at the reporting date the Company held 3,887,500 shares, equal to 7.20% of the share capital, for a total investment of approx. Euro 13.9 million. The weighted average number of shares outstanding in the year was 50,112,500.

The other gains and losses recorded directly in equity in accordance with IAS 1 are reported below and recognised to the Comprehensive Income Statement.

<i>(Euro thousands)</i>	December 31, 2022	December 31, 2021	Changes
<i>Effective part of the Gains/losses on cash flow hedge instruments</i>	-	-	-
<i>Re-measurement of post-employment benefits (IAS 19) (*)</i>	107	(28)	78
<i>Tax effect relating to the Other items of the comprehensive income statement</i>	(26)	7	(19)
Total other gains/(losses), net of tax effect	81	(21)	60

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

The tax effect relating to "Other gain/losses" is as follows:

<i>(Euro thousands)</i>	December 31, 2022			December 31, 2021		
	Gross value	Tax effect	Net value	Gross value	Tax effect	Net value
Re-measurement of post-employment benefits (IAS 19) (*)	107	(26)	81	(28)	7	(21)
Total other gains/(losses), net of tax effect	107	(26)	81	(28)	7	(21)

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

The statement on the availability of the reserves at December 31, 2022 is shown below:

**STATEMENT ON UTILISATION AND DISTRIBUTION OF RESERVES AS PER ART. 2427 OF THE C.C.
NO.7-BIS**

		December 31, 2022	December 31, 2021	Changes
Share capital		31,716,673	31,716,673	-
Treasury shares		(13,954,869)	(30,647,910)	16,693,041
Share premium reserve		-	-	-
Legal reserve	B	6,343,335	6,343,334	-
IAS adjustment reserve		-	-	-
Reserve for treasury shares in portfolio		13,954,869	30,647,910	(16,693,041)
Ordinary reserve			-	-
Extraordinary reserve			-	-
Other reserves:				
Cash Flow Hedge Reserve	D	-	-	-
Re-measurement reserve of post-employment benefits (IAS 19)	D	(56,105)	(137,156)	81,053
Conferment reserve	A, B	60,903,373	-	60,903,373
Merger reserve	A, B	264,495	-	264,495
Retained earnings	A,B,C	36,492,316	44,247,428	(7,755,112)
IFRS 16 Reserve	B	-	(86,584)	86,584
Exchange gains reserve			174,736	(174,736)
Net profit		11,155,496	65,689,195	(54,533,699)
Total		146,819,583	147,947,626	(1,128,043)

Key: A: for share capital increase, B: for coverage of losses - C: for distribution to shareholders - D: non utilisable

31. LOANS

The changes in the medium/long-term loans during the year are shown below:

<i>(Euro thousands)</i>	31/12/2021	New Loans	Repayments	31/12/2022	Current portion	Medium/long-term portion
"Intesa Loan - FCG"	5,500	-	(344)	5,156	1,375	3,781
"BNL Loan"	1,875	-	(1,875)	-	-	-
"MPS Loan"	8,125	-	(3,250)	4,875	3,250	1,625
Balance	15,500	-	(5,468)	10,031	4,625	5,406

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2022	December 31, 2021	Changes
Loans:			
"Intesa Loan - FCG"	3,781,250	5,156,250	(1,375,000)
- "BNL Loan"	-	625,000	(625,000)
- "MPS Loan"	1,625,000	4,875,000	(3,250,000)
Total medium/long-term loans	5,406,250	10,656,250	(5,250,000)
- Other lenders	66,465	120,050	(53,585)
Total other financial payables	66,465	120,050	(53,585)
Total loans	5,472,715	10,776,300	(5,303,585)

The "Intesa Loan - FCG" was disbursed in October 2020 for Euro 5.5 million, has a duration of six years, including a two-year grace period, and is repayable in quarterly installments, starting from September 2022, at a contractual rate of 1.05% per quarter. The use is restricted to payments for the purchase of

services and salary payments to BasicNet employees. The contractual conditions do not include financial covenants and the loan is directly guaranteed by the SME Guarantee Fund (90% of the capital).

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration of which 2 years grace period, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of TOS S.r.l. (now Sebago S.r.l.), owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

“Payables to other lenders” relate to the accounting of the capital line of finance leases recorded in the accounts.

For completeness of information we provide details of the medium/long-term loans by maturity.

	December 31, 2022	December 31, 2021	Changes
MEDIUM/LONG TERM LOANS:			
- due within 5 years	5,406,250	10,656,250	(5,250,000)
- due beyond 5 years	-	-	-
Total medium/long term loans	5,406,250	10,656,250	(5,250,000)
Leasing payables	66,465	120,050	(53,585)
Total leasing payables (maturity within 5 years)	5,472,715	120,050	(5,303,585)
Total loans	5,472,715	10,776,300	(5,303,585)

32. BANK PAYABLES

	December 31, 2022	December 31, 2021	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	4,625,000	4,843,750	(218,750)
- bank overdrafts and bills	-	8,000,000	(8,000,000)
- interest expense on loans	5,255	10,755	(5,501)
Total bank payables	4,630,255	12,854,505	(8,224,251)

The average interest rates for BasicNet S.p.A. were:

	December 31, 2022	December 31, 2021
cash advances	1.90%	1.05%
medium-term loan	2.47%	1.01%

“Bank payables” include the short-term portion of loans, outlined at Note 31 and the relative interest matured and to be settled the following January.

Reference should be made to the Directors’ Report for the changes in the net financial positions.

33. PAYABLES FOR RIGHT-OF-USE

	December 31, 2022	December 31, 2021	Changes
Payables for rights-of-use	7,124,087	8,440,693	(1,316,606)
Total payables for right-of-use	7,124,087	8,440,693	(1,316,606)

Payables for right-of-use are recognised from 2022 in accordance with IFRS 16. During the year, payables for Euro 1.7 million were settled.

34. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 885 thousand and the termination indemnities of Directors of Euro 333 thousand.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2022			December 31, 2021		
	Defined benefit plans	Defined contrib. plans	Total	Defined benefit plans	Defined contrib. plans	Total
Change in the balance sheet:						
Net liabilities recognized at begin. of year	1,082,927	-	1,082,927	1,202,911	-	1,202,911
Interest	11,243	-	11,243	5,967	-	5,967
Pension cost, net of withholdings	6,330	487,911	494,241	-	519,282	519,282
Benefits paid	(31,833)	-	(31,833)	(15,532)	-	(15,532)
Payments to the INPS treasury fund	-	(329,589)	(329,689)	-	(359,876)	(359,876)
Payments to other supp. pension fund	-	(158,222)	(158,222)	-	(159,405)	(159,405)
- Actuarial gains/(losses)	(106,649)	-	(106,649)	28,249	-	28,249
Internal transfers to the Group	(77,336)	-	(77,336)	(138,668)	-	(138,668)
Net liabilities recognised in the accounts	884,683	-	886,683	1,082,927	-	1,082,927
Change in the income statement:						
Interest	11,243	-	11,243	5,967	-	5,967
Pension Cost	6,330	487,911	494,241	-	519,282	519,282
Total charges/(income) for post-employment benefits	17,573	487,911	505,484	5,967	519,282	525,249

The account “employee benefits” includes the present value of the liabilities of the company in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Company there are no other plans other than defined benefit plans. The actuarial valuation of the Post-Employment Benefit is prepared based on the “matured benefits” method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature. The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2022	December 31, 2021
discount rate	4.14%	1.09%
inflation rate:	2.30%	1.75%
annual increase in post-employment benefit	3.23%	2.81%
annual increase in salaries:	1.00%	1.00%

The change in the annual discount rate reflects the decrease in the yields of the “corporate bonds” of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

The sensitivity analysis carried out on the basis of the following variables: 1) inflation rate +0.25%/-0.25%, 2) discount rate +0.25%/-0.25%, 3) turnover rate +1%/-1% shows non-material impacts of less than Euro 24 thousand.

35. OTHER NON-CURRENT LIABILITIES

	December 31, 2022	December 31, 2021	Changes
Guarantee deposits	-	983,052	(983,052)
Medium/long term tax payables	-	-	-
Total other non-current liabilities	-	983,052	(983,052)

The “guarantee deposits” included, at the end of the previous year, the guarantees received from licensees (in place of bank or corporate guarantees), to cover the minimum royalties guaranteed contractually and were fully re-paid in the year

36. TRADE PAYABLES

	December 31, 2022	December 31, 2021	Changes
Trade payables - Italy	4,314,380	3,478,154	836,226
Trade payables - Foreign	1,230,782	844,115	386,667
Total trade payables	5,545,163	4,322,269	1,222,894

“Trade payables” are all due in the short-term period.

In particular, the breakdown of foreign suppliers is as follows:

	December 31, 2022	December 31, 2021	Changes
Europe	209,439	295,072	(85,633)
The Americas	185,564	155,681	29,883
Asia and Oceania	813,038	390,525	422,513
Middle East and Africa	22,741	2,837	19,904
Total	1,230,782	844,115	386,667

At the date of the present report there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A.. No interest is charged on trade payables which are normally settled between 30 and 120 days. The carrying value of trade payables approximates their fair value.

37. TAX PAYABLES

The breakdown of this account is shown in the following table:

	December 31, 2022	December 31, 2021	Changes
Tax payables:			
IRES	3,519,075	4,273,253	(754,178)
Withholding taxes	11,501	10,885	616
VAT	1,131,369	349,845	781,524
Employee contributions	295,027	269,585	25,443
IRAP Taxes	150,948	-	150,948
Tax payables	53,099	121,554	(68,456)
Total tax payables	5,161,019	5,025,122	135,896

The “IRES” and “IRAP” accounts relate to payables in the year.

The VAT payable is consequent of the transfers of balances by the companies within the Group VAT consolidation.

38. OTHER CURRENT LIABILITIES

	December 31, 2022	December 31, 2021	Changes
Payables to Group companies	3,864,320	9,282,020	(5,417,700)
Other payables	2,297,654	2,768,874	(471,221)
Accrued expenses	242,149	326,732	(84,582)
Total other current liabilities	6,404,124	12,377,626	(5,973,503)

“Other payables” at December 31, 2022 principally include payables to social security institutions of Euro 475 thousand for the year 2022 and paid in 2023, employee, consultant and director payables of approx. Euro 1.2 million, which include vacation days matured at December 31, 2022 and other items of Euro 98 thousand and were fully repaid during the year. All payables are due within one year.

The “accrued expenses” refer to employee costs for the 14th month of the year.

The breakdown of “Payables to Group companies” are shown below:

	December 31, 2022	December 31, 2021	Changes
<i>Trade payables:</i>			
Basic Properties America Inc.	930,581	814,660	115,921
BasicNet Asia Ltd.	404,980	301,418	103,562
BasicItalia S.p.A.. with sole shareholder	1,455	2,273	(818)
Basic Village S.p.A.. with sole shareholder	162,424	141,298	21,126
Kappa S.r.l. with sole shareholder	46,498	-	46,498
KappaRetail S.r.l. with sole shareholder	275	-	275
Kappa France S.a.s.	1,746	39,058	(37,312)
K-Way S.p.A. with sole shareholder	6,141	328	5,813
BasicRetail S.r.l. with sole shareholder	68	(40)	108
BasicAir S.r.l. with sole shareholder	185	-	185
Jesus Jeans S.r.l. with sole shareholder	12,000	12,000	-
BasicNet Asia Company (Vietnam) Ltd.	-	-	-
Trade payables	1,566,353	1,310,995	255,357
<i>Financial payables</i>			
BasicRetail S.r.l. with sole shareholder	26,512	-	26,512
BasicItalia S.p.A.. with sole shareholder	572,118	2,013,673	(1,441,555)
Kappa S.r.l.	1,091,378	5,957,351	(4,865,973)
KappaRetail S.r.l. with sole shareholder	69,814	-	69,814
BasicAir S.r.l. with sole shareholder	66,051	-	66,051
Superga S.r.l. with sole shareholder	472,095	-	472,095
Trade payables	2,297,968	7,971,024	(5,673,057)
Total	3,864,320	9,282,020	(5,417,700)

39. DEFERRED INCOME

	December 31, 2022	December 31, 2021	Changes
Royalties	69,959	327,887	(257,928)
Total deferred income	69,959	327,887	(257,928)

“Deferred income” for royalties refer to invoicing for revenues which will mature in the following year.

40. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The details of the guarantees given are as follows:

	December 31, 2022	December 31, 2021	Changes
- Guarantees to: subsidiaries	128,740,600	131,550,000	(2,809,400)
Total	128,740,600	131,550,000	(2,809,400)

- Sureties given on behalf of subsidiaries

The sureties provided, amounting to Euro 129 million, concern guarantees provided in favour of BasicItalia S.p.A., the Kappa France Group, of Kappa S.r.l. and of K-Way S.p.A. to various credit institutions, to guarantee commercial credit lines. The decrease in the year was due to the extinction of the guarantee provided in favour of Basic Village S.p.A. and BasicItalia S.p.A.

Finally, the shares of Sebago S.r.l. are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017.

41. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The principal risks and uncertainties of the activities of the Company and of the Group and the activities undertaken to reduce them or avoid them, which are undertaken at Group level, are described in the Directors' Report.

The financial instruments of BasicNet S.p.A. include:

- cash and cash equivalents and bank overdrafts;
- medium/long-term loans;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Company and the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

(Euro thousands)	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 31.12.2022	Fair value at 31.12.2022
	Income Statement	Shareholders' Equity				
Assets:						
Equity invest. & other financial assets	-	-	-	112,250	112,250	112,250
Cash and cash equivalents	-	-	542	-	542	542
Trade receivables	-	-	3,462	-	3,462	3,462
Other current assets	-	-	48,286	-	48,286	48,286
Derivative financial instruments	-	-	-	-	-	-
Liabilities:						
Medium/long-term loans	-	-	5,473	-	5,473	5,473
Bank payables	-	-	4,630	-	4,630	4,630
Trade payables	-	-	5,545	-	5,545	5,545
Other current liabilities	-	-	6,404	-	6,404	6,404
Derivative financial instruments	-	-	-	-	-	-

The financial risk factors, identified in *IFRS 7 – Financial instruments: additional disclosures*, are described below:

- the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices ("*market risk*"). The market risk includes the following risks: currency, interest rates and price:

- a. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in currency prices ("*currency risk*");
- b. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market interest rates ("*interest rate risk*");
- c. the risk that the fair value or the future cash flows of a financial instrument fluctuate following changes in market prices (other than changes determined from interest rate or currency risk), whether the changes are determined by specific factors related to the financial instrument or its issuer, or whether it is due to factors which influence all similar financial instruments traded on the market ("*price risk*");
- the risk that one of the parties that signs a contract of a financial nature does not comply with an obligation ("*credit risk*");
- the risk that an entity has difficulty in complying with the obligations associated with the financial liabilities ("*liquidity risk*");
- the risk that the loans within the companies of the Group contain clauses which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk ("*default risk*").

Price risk

The Company is exposed to the risk of fluctuations of commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the sample collections acquired on international markets, for resale to the licensees.

The Company does not hedge these risks as not directly dealing with raw materials but only finished products and the fluctuations can be transferred on to the final sales price.

Currency risk

BasicNet S.p.A. has subscribed the majority of its financial instruments in Euro which corresponds to its functional and presentation currency. Operating on the international market the Company is also exposed to fluctuations in exchange rates, principally the US Dollar against the Euro.

In 2022, exchange gains were recorded of Euro 252 thousand, while unrealised exchange losses were recorded of Euro 178 thousand, for a net exchange gain of Euro 74 thousand (Note 16).

The Company undertakes hedging of the currency risks at Group level.

Interest rate risk

The composition of the gross financial debt between fixed and variable interest rates at December 31, 2021 is shown below:

	December 31, 2022	%	December 31, 2021	%
Fixed rate	5,161,505	51.1%	5,510,755	23.3%
Variable rate	4,941,465	48.9%	18,120,050	76.7%
Gross debt	10,102,969	100.0%	26,630,805	100.0%

Where at December 31, 2022 the interest rate on long/term loans at that date were 100 basis points higher (or lower) compared to the actual rates, there would be a higher financial charges (lower), before the tax effect, respectively of Euro +125 thousand and Euro -125 thousand.

Credit risk

The doubtful debt provision (Note 26) which includes provisions against specific credit positions and a general provision on receivables not covered by guarantees, represents approx. 42% of trade receivables at December 31, 2022.

Liquidity risk

Reference should to the Explanatory Notes of the consolidated financial statements.

The table below illustrates the cash flow timing of payments on medium/long-term debt:

<i>(Euro thousands)</i>	Book value	Future interest income/(expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
"Intesa Loan - FCG"	5,156	110	5,266	1,424	3,842	-
"MPS Loan"	4,875	53	4,928	3,295	1,633	-
Lease payables	66	2	68	42	26	-
Payables for rights-of-use	7,124	142	7,266	1,936	5,330	-
Total financial liabilities	17,222	306	17,528	6,698	10,830	-

Default and debt covenant risk

The risk that the loans within the company contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

There are no covenants on the loans in place.

42. TRANSACTIONS WITH HOLDING COMPANIES, ASSOCIATES, OTHER INVESTMENTS AND RELATED PARTIES

The transactions undertaken by BasicNet S.p.A. with the companies belonging to the Group in the ordinary management and regulated at market conditions were:

- Organisational, commercial, IT, and administrative services in accordance with specific contracts;
- The granting of rights for the use of know-how developed on the Kappa, Robe di Kappa and Briko products for the first half of the year;
- The granting of rights for the use of know-how developed on the Superga and Sebago products for the entire year;
- Financial support for the management of the centralised treasury, relations with credit institutions, granting of sureties;
- the provision of *Powered by* services to K-Way S.p.A. and to Kappa S.r.l.;
- Commercial assistance, principally relating to the sale of clothing samples, catalogues and payment of commissions;
- Building rental for commercial use by Basic Village S.p.A.;
- Purchase of products by BasicItalia S.p.A. for gifts and promotional expenses;
- Financial income and charges matured on loans within the treasury centralised management system, at market rates.

The income statement effects deriving from these transactions are summarised as follows:

REVENUES

BasicNet Group companies	Direct sales	Other income	Royalty income	Financial income	Dividends	Total
BasicItalia S.p.A.. with sole shareholder	939,938	307,200	1,987,107	13,088	-	3,247,333
Kappa S.r.l. with sole shareholder (previously Basic Trademark S.r.l.) with sole shareholder	344,816	8,026,661	-	-	7,000,000	15,371,477
Kappa France S.a.s.	343,091	20,000	601,399	5	-	964,494
Sebago S.r.l. with sole shareholder (previously TOS S.r.l. with sole shareholder)	-	305,833	-	-	-	305,833
BasicNet Asia Ltd. (Hong Kong)	7,733	-	-	-	-	7,733
Basic Village S.p.A.. with sole shareholder	-	84,000	-	3,395	-	87,395
BasicNet Asia Company Limited (Vietnam) Ltd	7,932	-	-	-	-	7,932
Jesus Jeans S.r.l. with sole shareholder	-	6,000	-	863	-	6,863
K-Way S.p.A. with sole shareholder	-	2,411,608	-	-	-	2,411,608
K-WayRetail S.r.l. with sole shareholder	-	43,000	-	5,429	-	48,429
KappaRetail S.r.l. with sole shareholder	-	30,000	-	54	-	30,054
BasicAir S.r.l. with sole shareholder	-	28,000	-	124,854	-	152,854
K-WayRetail SUISSE S.A. (previously BasicRetail SUISSE)	-	9,000	-	-6,611	-	15,611
BasicRetail S.r.l. with sole shareholder	-	100,000	-	80,296	-	180,296
K-Way France S.a.s.	-	-	-	11,062	-	11,062
Total revenues	1,643,511	11,371,303	2,588,505	245,659	7,000,000	22,848,977

COSTS

BasicNet Group companies	Cost of sales	Cost of sponsorship	Selling, general and administrative costs, royalties expenses	Financial charges	Total
Basic Village S.p.A. with sole shareholder	-	-	(1,022,654)	(669)	(1,023,323)
BasicNet Asia Ltd. (Hong Kong)	-	-	(841,462)	-	(841,462)
BasicNet Asia Company Limited (Vietnam) Ltd.	-	-	(402,783)	-	(402,783)
K-Way S.p.A. with sole shareholder	-	(27,783)	-	-	(27,783)
K-WayRetail S.r.l. with sole shareholder	-	(13,849)	-	-	(13,849)
KappaRetail S.r.l. with sole shareholder	-	(1,551)	-	-	(1,551)
Jesus Jeans S.r.l. with sole shareholder	-	-	(12,000)	-	(12,000)
Kappa France S.a.s.	(203)	-	-	-	(203)
BasicItalia S.p.A. with sole shareholder	4,539	(141,677)	-	(726)	(137,864)
BasicRetail S.r.l. with sole shareholder	-	(73,659)	-	-	(73,659)
BasicAir S.r.l. with sole shareholder	-	-	-	(185)	(185)
Kappa S.r.l. with sole shareholder (previously Basic Trademark S.r.l.)	-	(36,867)	-	(20,867)	(57,735)
Total costs	4,336	(295,386)	(2,278,898)	(22,448)	(2,592,395)

A breakdown of the transactions with related parties with reference to the note to which they refer for the year 2022 is shown below:

	Investments (Note 23)	Receivables (Note 27)	Payables (Note 38)	Revenues (Note 42)	Costs (Note 42)
Subsidiaries	112,218,345	46,413,277	3,864,320	22,848,977	2,592,395
Interests in joint ventures:	-	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,989,829
Total	112,218,345	46,413,277	3,864,320	22,848,977	6,582,225

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati with Negri-Clementi and Studio Legale Cappetti Associazione Professionale, as part of a framework contract, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l.. The agreement shall run until July 31, 2023. The exercise price of the Call Option by BasicWorld shall be equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate

applied to BasicNet at the exercise option date. The agreement was signed based on the eventual interest of BasicNet S.p.A. to sell the collection to guarantee the complete recovery of the costs incurred, including financial charges, utilising in the meantime the benefits which derive from such communication instruments for their brands and/or products.

43. CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

44. CONTINGENT LIABILITIES/ASSETS

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

Other disputes are described in the Explanatory Notes in the consolidated financial statements (Note 54).

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

Dear Shareholders,

We highlight the following:

MOTION

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2022 results, the Directors' Report and having noted the Board of Statutory Auditors' Report and that of the Independent Audit Firm EY S.p.A.,

RESOLVES

to approve the Directors' Report and the Financial Statements at December 31, 2022, in relation to each individual part and in its entirety.

PROPOSAL FOR THE ALLOCATION OF NET PROFIT FOR THE YEAR 2022 AND DIVIDEND DISTRIBUTION. RESOLUTIONS THEREON.

Dear Shareholders,

We propose the allocation of the net profit of Euro 11,155,496.19 as follows:

- | | | |
|---|------|--------------|
| ▪ to each of the 50,082,500 ordinary shares in circulation (excluding the 3,917,500 treasury shares held at March 9, 2023), a dividend of Euro 0.18 before withholding taxes for an amount of | Euro | 9,014,850.00 |
| ▪ to retained earnings the residual amount, equal to | Euro | 2,140,646.19 |

The dividend will be paid from April 26, 2023, with record date of April 25, 2023 and coupon date (No. 16) of April 24, 2023.

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

We propose therefore the following:

MOTION

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

RESOLVES

to approve the proposed allocation of the net profit for the year of Euro 11,155,496.19, as presented above, and the proposed payment of a dividend of Euro 0.18 to each of the ordinary shares in circulation and entitled to receive dividends on the coupon date.

Turin, March 9, 2023

for the Board of Directors

The Chairperson

Marco Daniele Boglione

ANNEX 1

DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION

Type of service	Service provider	Company	Fees for 2022
Audit	EY S.p.A.	Parent BasicNet S.p.A.	56,000
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
Other services	EY S.p.A.	Parent BasicNet S.p.A.	-
Total			56,000

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INVESTMENTS AT DECEMBER 31, 2022

(in Euro)

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
<u>HOLDINGS IN SUBSIDIARY COMPANIES</u>							
BASIC AIR S.r.l.							
WITH SOLE SHAREHOLDER							
<i>Largo Maurizio Vitale, 1</i>							
<i>10152 TURIN</i>							
Share capital Euro 3,000,000	3,000,000	2,170,326	66,394	100.00	-	2,170,326	3,000,000
BASIC ITALIA S.p.A.							
WITH SOLE SHAREHOLDER							
<i>Strada della Cebrosa, 106</i>							
<i>10156 TURIN</i>							
Share capital Euro 2,650,000	2,650,000	6,846,507	(7,746,539)	100.00	-	6,846,507	5,047,833
BASICNET ASIA LTD.							
<i>15 floor, Linkchart Centre</i>							
<i>No.2 Tai Yip Street</i>							
<i>Kwun Tong, Kowloon</i>							
<i>HONG KONG</i>							
Share capital HKD 10,000.	1,202	421,336	60,893	100.00	-	421,336	927
BASICNET ASIA COMPANY LIMITED (VIETNAM) Ltd..							
<i>Room 1002-1003, 10th Floor,</i>							
<i>Diamond Plaza Building 34</i>							
<i>Le Duan Street, Ben Nghe Ward,</i>							
<i>District 1 -</i>							
<i>Ho Chi Minh City</i>							
<i>VIETNAM</i>							
Share capital DONG 462,600,000	18,504	57,167	19,867	100.00	-	57,167	18,135
BASIC PROPERTIES AMERICA, INC.							
<i>c/o Corporation Service Company</i>							
<i>11 S 12th Street - PO BOX 1463 -</i>							
<i>Richmond VA 23218 - U.S.A.</i>							
Share capital USD 2,000	1,875	7,806,920	1,559,409	100.00	-	-	-
BASICRETAIL S.r.l.							
WITH SOLE SHAREHOLDER							
<i>Strada della Cebrosa, 106</i>							
<i>10156 TURIN</i>							
Share capital Euro 10,000	10,000	4,852,884	(954,062)	-	100.00	-	-
BASIC VILLAGE S.p.A.							
WITH SOLE SHAREHOLDER							
<i>Largo M. Vitale, 1</i>							
<i>10152 TURIN</i>							
Share capital Euro 412,800	412,800	9,366,096	(276,014)	100.00	-	9,366,096	2,591,980
JESUS JEANS S.r.l.							
WITH SOLE SHAREHOLDER							
<i>Largo M. Vitale, 1</i>							
<i>10152 TORINO</i>							
Share capital Euro 10,000	10,000	21,678	1,524	100.00	-	21,678	81,375
KAPPA S.r.l.							
WITH SOLE SHAREHOLDER							
<i>Largo Maurizio Vitale, 1</i>							
<i>10152 TURIN</i>							
Share capital Euro 1,300,000	1,300,000	48,848,236	14,954,023	100.00	-	48,848,236	4,717,796

ATTACHMENT 2
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Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
<u>HOLDINGS IN SUBSIDIARY COMPANIES</u>							
KAPPA FRANCE S.a.s. 41 Rue Bobby Sands 44800 St Herblain Cedex - FRANCE							
Share capital Euro 3,090,000	2,207,600	3,847,335	(2,429,278)	-	100.00	-	-
KAPPARETAIL S.r.l. WITH SOLE SHAREHOLDER Strada della Cebrosa, 106 10156 TURIN							
Share capital Euro 10,000	10,000	338,510	(315,572)	-	100.00	-	-
KAPPA RETAIL MONACO S.a.r.l. 1, Promenade Honoré II 98000 Monaco							
Share capital Euro 15,000	15,000	(1,100,241)	520,875	-	100.00	-	-
KAPPA SPORT IBERIA S.L. Avda. de Europa, 26 - módulo 2B 28224 Pozuelo De Alarcón-Madrid SPAIN							
Share Capital Euro 505.588	505,588	333,080	421,574	-	100.00	-	-
K-WAY S.p.A. WITH SOLE SHAREHOLDER Via dell'Aprica, 12 20158 MILAN							
Share capital Euro 10,050,000	10,050,000	61,550,560	11,351,907	100.00	-	61,550,560	95,710,383
K-WAY FRANCE S.A.S. 2 Rue Gabriel Vicaire 75003 PARIS - FRANCE							
Share capital Euro 150,000	150,000	19,021,754	6,620,935		100.00		
K-WAYRETAIL S.r.l. WITH SOLE SHAREHOLDER Strada della Cebrosa, 106 10156 TURIN							
Share capital Euro 10,000	10,000	5,834,072	3,084,053	-	100.00	-	-
K-WAYRETAIL SUISSE S.A. Via Franco Zorzi, 18 6850 MENDRISIO - SWITZERLAND							
Share capital CHF 100,000.	101,554	5,461	(29,020)	-	100.00	-	-
PREPPY COTTON S.A. (in liquidation) Renzligenstrasse 31 6260 MENDRISIO - SWITZERLAND							
Share Capital Euro 101,105	101,105	(1,931,158)	(52,260)	-	100.00	-	-

ATTACHMENT 2
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Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
<u>HOLDINGS IN SUBSIDIARY COMPANIES</u>							
SEBAGO S.r.l. WITH SOLE SHAREHOLDER <i>Largo M. Vitale, 1</i> <i>10152 Turin</i>							
Share capital 50,000	50,000	3,472,144	847,339	100.00	-	3,472,144	-
SPORT FASHION DISTRIBUTION UK Ltd. (in liquidation) <i>Richmond House, 15 Bloom Street</i> <i>M1 3HZ Manchester - UK</i>							
Share capital GBP 1	1.190	231,641	11,019	-	100.00	-	-
SPORT FASHION RETAIL S.a.r.l. <i>41 Rue Bobby Sands</i> <i>44800 St Herblain Cedex - FRANCE</i>							
Share capital Euro 5,000	5,000	66,763	(123,600)	-	100.00	-	-
SUPERGA S.r.l. WITH SOLE SHAREHOLDER <i>Largo M. Vitale, 1</i> <i>10152 Turin</i>							
Share capital 50,000	50,000	20,115,964	(13,850)	100.00	-	-	-
TEXTILES D'ARTOIS S.a.r.l. <i>4 Rue D'Acq</i> <i>62144 Haute Avesnes- FRANCE</i>							
Share capital Euro 3,000	3,000	(124,463)	(102,332)	-	100.00	-	-
<u>JOINT VENTURES</u>							
FASHION S.r.l. <i>C.so Stati Uniti, 41</i> <i>10129 TURIN</i>							
Share capital Euro 100,000	100,000	160,781	(12,320)	-	50.00	-	-

ATTACHMENT 2
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INVESTMENTS AT DECEMBER 31, 2022

Name/Registered office/Share capital	31/12/2021 Book value	Acquisitions/I ncorporations /Conferments	Capital payments to cover losses	Impairments investments	Spin-off	31/12/2022 Book value	% held Parent
<u>HOLDINGS IN SUBSIDIARY COMPANIES</u>							
BasicRetail S.r.l. with sole shareholder	3,000,000	-	-	-	-	-	100%
BasicItalia S.p.A. with sole shareholder	762,077	-	5,000,000	-	(714,244)	5,047,833	100%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
BasicNet Asia Company Limited (Vietnam) Ltd.	18,135	-	-	-	-	18,135	100%
Basic Properties America Inc.	-	1	-	-	-	1	100%
Basic Village S.p.A. with sole shareholder	2,591,980	-	-	-	-	2,591,980	100%
Fashion S.r.l. with sole shareholder	-	190,720	-	-	-	190,720	100%
Jesus Jeans S.r.l. with sole shareholder	81,375	-	-	-	-	81,375	100%
Kappa S.r.l. with sole shareholder	3,657,747	700,000	-	-	360,049	4,717,796	100%
K-Way S.p.A. with sole shareholder	95,710,383	-	-	-	-	95,710,383	100%
Sebago S.r.l. with sole shareholder	-	370,000	-	-	-	370,000	100%
Superga S.r.l. with sole shareholder	-	135,000	-	-	354,195	489,195	100%
TOTAL SUBSIDIARY COMPANIES	105,822,624	1,395,721	5,000,000	-	-	112,218,345	
<u>HOLDINGS IN OTHER COMPANIES</u>							
Consortiums & other minor	127	-	-	-	-	127	
TOTAL OTHER COMPANIES	127	-	-	-	-	127	
TOTAL INVESTMENTS	105,822,751	1,395,721	5,000,000	-	-	112,218,472	
<u>FINANCIAL RECEIVABLES</u>							
Other receivables (guarantees)	31,983	-	-	-	-	31,983	-
TOTAL RECEIVABLES	31,983	-	-	-	-	31,983	
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	105,854,734	1,395,721	5,000,000	-	-	112,250,455	

ANNEX 3

DECLARATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998 “FINANCIAL INTERMEDIATION ACT”

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

the adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2022 financial statements.

In addition, we certify that the financial statements:

- a) corresponds to the underlying accounting documents and records;
- b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union and also in accordance with Article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer;
- c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione
Chairperson

Federico Trono
Chief Executive Officer

Paola Bruschi
Executive Officer for Financial Reporting

BasicNet S.p.A.

Bilancio d'esercizio al 31 dicembre 2022

Relazione della società di revisione indipendente
ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell'
art. 10 del Regolamento (UE) n. 537/2014

Relazione della società di revisione indipendente ai sensi dell'art. 14 del D. Lgs. 27 gennaio 2010, n. 39 e dell' art. 10 del Regolamento (UE) n. 537/2014

Agli azionisti della
BasicNet S.p.A.

Relazione sulla revisione contabile del bilancio d'esercizio

Giudizio

Abbiamo svolto la revisione contabile del bilancio d'esercizio della BasicNet S.p.A. (la Società), costituito dalla situazione patrimoniale-finanziaria al 31 dicembre 2022, dal conto economico, dal conto economico complessivo, dal prospetto delle variazioni del patrimonio netto, dal rendiconto finanziario per l'esercizio chiuso a tale data e dalle note illustrative al bilancio che includono anche la sintesi dei più significativi principi contabili applicati.

A nostro giudizio, il bilancio d'esercizio fornisce una rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria della Società al 31 dicembre 2022, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data, in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38.

Elementi alla base del giudizio

Abbiamo svolto la revisione contabile in conformità ai principi di revisione internazionali (ISA Italia). Le nostre responsabilità ai sensi di tali principi sono ulteriormente descritte nella sezione *Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio* della presente relazione. Siamo indipendenti rispetto alla Società in conformità alle norme e ai principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano alla revisione contabile del bilancio. Riteniamo di aver acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio.

Responsabilità degli amministratori e del collegio sindacale per il bilancio d'esercizio

Gli amministratori sono responsabili per la redazione del bilancio d'esercizio che fornisca una rappresentazione veritiera e corretta in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 28 febbraio 2005, n. 38 e, nei termini previsti dalla legge, per quella parte del controllo interno dagli stessi ritenuta necessaria per consentire la redazione di un bilancio che non contenga errori significativi dovuti a frodi o a comportamenti o eventi non intenzionali.

Gli amministratori sono responsabili per la valutazione della capacità della Società di continuare ad operare come un'entità in funzionamento e, nella redazione del bilancio d'esercizio, per l'appropriatezza dell'utilizzo del presupposto della continuità aziendale, nonché per una adeguata informativa in materia. Gli amministratori utilizzano il presupposto della continuità aziendale nella redazione del bilancio d'esercizio a meno che abbiano valutato che sussistono le condizioni per la liquidazione della Società o per l'interruzione dell'attività o non abbiano alternative realistiche a tali scelte.

Il collegio sindacale ha la responsabilità della vigilanza, nei termini previsti dalla legge, sul processo di predisposizione dell'informativa finanziaria della Società.

Responsabilità della società di revisione per la revisione contabile del bilancio d'esercizio

I nostri obiettivi sono l'acquisizione di una ragionevole sicurezza che il bilancio d'esercizio nel suo complesso non contenga errori significativi, dovuti a frodi o a comportamenti o eventi non intenzionali, e l'emissione di una relazione di revisione che includa il nostro giudizio. Per ragionevole sicurezza si intende un livello elevato di sicurezza che, tuttavia, non fornisce la garanzia che una revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia) individui sempre un errore significativo, qualora esistente. Gli errori possono derivare da frodi o da comportamenti o eventi non intenzionali e sono considerati significativi qualora ci si possa ragionevolmente attendere che essi, singolarmente o nel loro insieme, siano in grado di influenzare le decisioni economiche degli utilizzatori prese sulla base del bilancio d'esercizio.

Nell'ambito della revisione contabile svolta in conformità ai principi di revisione internazionali (ISA Italia), abbiamo esercitato il giudizio professionale e abbiamo mantenuto lo scetticismo professionale per tutta la durata della revisione contabile. Inoltre:

- abbiamo identificato e valutato i rischi di errori significativi nel bilancio d'esercizio, dovuti a frodi o a comportamenti o eventi non intenzionali; abbiamo definito e svolto procedure di revisione in risposta a tali rischi; abbiamo acquisito elementi probativi sufficienti ed appropriati su cui basare il nostro giudizio. Il rischio di non individuare un errore significativo dovuto a frodi è più elevato rispetto al rischio di non individuare un errore significativo derivante da comportamenti od eventi non intenzionali, poiché la frode può implicare l'esistenza di collusioni, falsificazioni, omissioni intenzionali, rappresentazioni fuorvianti o forzature del controllo interno;
- abbiamo acquisito una comprensione del controllo interno rilevante ai fini della revisione contabile allo scopo di definire procedure di revisione appropriate nelle circostanze, e non per esprimere un giudizio sull'efficacia del controllo interno della Società;
- abbiamo valutato l'appropriatezza dei principi contabili utilizzati nonché la ragionevolezza delle stime contabili effettuate dagli amministratori e della relativa informativa;
- siamo giunti ad una conclusione sull'appropriatezza dell'utilizzo da parte degli amministratori del presupposto della continuità aziendale e, in base agli elementi probativi acquisiti, sull'eventuale esistenza di una incertezza significativa riguardo a eventi o circostanze che possono far sorgere dubbi significativi sulla capacità della Società di continuare ad operare come un'entità in funzionamento. In presenza di un'incertezza significativa, siamo tenuti a richiamare l'attenzione nella relazione di revisione sulla relativa informativa di bilancio ovvero, qualora tale informativa sia inadeguata, a riflettere tale circostanza nella formulazione del nostro giudizio. Le nostre conclusioni sono basate sugli elementi probativi acquisiti fino alla data della presente relazione. Tuttavia, eventi o circostanze successivi possono comportare che la Società cessi di operare come un'entità in funzionamento;

- abbiamo valutato la presentazione, la struttura e il contenuto del bilancio d'esercizio nel suo complesso, inclusa l'informativa, e se il bilancio d'esercizio rappresenti le operazioni e gli eventi sottostanti in modo da fornire una corretta rappresentazione.

Abbiamo comunicato ai responsabili delle attività di governance, identificati ad un livello appropriato come richiesto dai principi di revisione internazionali (ISA Italia), tra gli altri aspetti, la portata e la tempistica pianificate per la revisione contabile e i risultati significativi emersi, incluse le eventuali carenze significative nel controllo interno identificate nel corso della revisione contabile.

Abbiamo fornito ai responsabili delle attività di governance anche una dichiarazione sul fatto che abbiamo rispettato le norme e i principi in materia di etica e di indipendenza applicabili nell'ordinamento italiano e abbiamo comunicato loro ogni situazione che possa ragionevolmente avere un effetto sulla nostra indipendenza e, ove applicabile, le azioni intraprese per eliminare i relativi rischi o le misure di salvaguardia applicate.

Altre informazioni comunicate ai sensi dell'art. 10 del Regolamento (UE) n. 537/2014

L'assemblea degli azionisti della BasicNet S.p.A. ci ha conferito in data 27 aprile 2017 l'incarico di revisione legale del bilancio d'esercizio della Società per gli esercizi con chiusura dal 31 dicembre 2017 al 31 dicembre 2025.

Dichiariamo che non sono stati prestati servizi diversi dalla revisione contabile vietati ai sensi dell'art. 5, par. 1, del Regolamento (UE) n. 537/2014 e che siamo rimasti indipendenti rispetto alla Società nell'esecuzione della revisione legale.

Confermiamo che il giudizio sul bilancio d'esercizio espresso nella presente relazione è in linea con quanto indicato nella relazione aggiuntiva destinata al collegio sindacale, nella sua funzione di comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del citato Regolamento.

Relazione su altre disposizioni di legge e regolamentari

Giudizio sulla conformità alle disposizioni del Regolamento Delegato (UE) 2019/815

Gli amministratori della BasicNet S.p.A. sono responsabili per l'applicazione delle disposizioni del Regolamento Delegato (UE) 2019/815 della Commissione Europea in materia di norme tecniche di regolamentazione relative alla specificazione del formato elettronico unico di comunicazione (ESEF – European Single Electronic Format) (nel seguito "Regolamento Delegato") al bilancio d'esercizio, da includere nella relazione finanziaria annuale.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 700B al fine di esprimere un giudizio sulla conformità del bilancio d'esercizio al 31 dicembre 2022 alle disposizioni del Regolamento Delegato.

A nostro giudizio, il bilancio d'esercizio al 31 dicembre 2022 è stato predisposto nel formato XHTML ed è stato marcato, in tutti gli aspetti significativi, in conformità alle disposizioni del Regolamento Delegato.

Giudizio ai sensi dell'art. 14, comma 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39 e dell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della relazione sulla gestione e della relazione sul governo societario e gli assetti proprietari della BasicNet S.p.A. al 31 dicembre 2022, incluse la loro coerenza con il relativo bilancio d'esercizio e la loro conformità alle norme di legge.

Abbiamo svolto le procedure indicate nel principio di revisione (SA Italia) n. 720B al fine di esprimere un giudizio sulla coerenza della relazione sulla gestione e di alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari indicate nell'art. 123-bis, comma 4, del D. Lgs. 24 febbraio 1998, n. 58, con il bilancio d'esercizio della BasicNet S.p.A. al 31 dicembre 2022 e sulla conformità delle stesse alle norme di legge, nonché di rilasciare una dichiarazione su eventuali errori significativi.

A nostro giudizio, la relazione sulla gestione e alcune specifiche informazioni contenute nella relazione sul governo societario e gli assetti proprietari sopra richiamate sono coerenti con il bilancio d'esercizio della BasicNet S.p.A. al 31 dicembre 2022 e sono redatte in conformità alle norme di legge.

Con riferimento alla dichiarazione di cui all'art. 14, c. 2, lettera e), del D. Lgs. 27 gennaio 2010, n. 39, rilasciata sulla base delle conoscenze e della comprensione dell'impresa e del relativo contesto acquisite nel corso dell'attività di revisione, non abbiamo nulla da riportare.

Dichiarazione ai sensi dell'art. 4 del Regolamento Consob di attuazione del D. Lgs. 30 dicembre 2016, n. 254

Gli amministratori della BasicNet S.p.A. sono responsabili per la predisposizione della dichiarazione non finanziaria ai sensi del D. Lgs. 30 dicembre 2016, n. 254. Abbiamo verificato l'avvenuta approvazione da parte degli amministratori della dichiarazione non finanziaria.

Ai sensi dell'art. 3, comma 10, del D. Lgs. 30 dicembre 2016, n. 254, tale dichiarazione è oggetto di separata attestazione di conformità da parte nostra.

Torino, 20 marzo 2023

EY S.p.A.



Stefania Boschetti
(Revisore Legale)

RELAZIONE DEL COLLEGIO SINDACALE ALL'ASSEMBLEA DEGLI AZIONISTI

(ai sensi dell'art. 153 del D. Lgs. 58/1998 e dell'art. 2429 c.c.)

Signori Azionisti,

il Collegio Sindacale di BasicNet SpA (in seguito anche «BasicNet» o «Società»), ai sensi dell'art. 153 del D. Lgs. n. 58/1998 (in seguito anche «TUF») è chiamato a riferire all'Assemblea degli azionisti convocata per l'approvazione del bilancio sull'attività di vigilanza svolta nell'esercizio, sulle omissioni e sui fatti censurabili eventualmente rilevati e sui risultati dell'esercizio sociale.

Il Collegio Sindacale è chiamato, altresì, ad avanzare eventuali proposte in ordine al bilancio e alla sua approvazione, nonché alle materie di sua competenza.

La presente relazione riferisce sull'attività svolta dal Collegio Sindacale di BasicNet nell'esercizio chiuso al 31 dicembre 2022.

PREMESSA

Il Collegio Sindacale in carica alla data della presente relazione è composto da Ugo Palumbo (Presidente), Gianna Luzzati (componente effettivo) e Alberto Pession (componente effettivo), nominati dall'Assemblea degli Azionisti del 13 aprile 2022.

Sono sindaci supplenti Riccardo Garbagnati e Simonetta Mattei, nominati dalla medesima Assemblea degli Azionisti.

Nel corso dell'esercizio chiuso al 31 dicembre 2022 il Collegio Sindacale ha svolto l'attività di vigilanza prevista dalla legge (e in particolare, dall'art. 149 del TUF e dall'art. 19 del D. Lgs. n. 39/2010), tenuto conto dei principi di comportamento raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, delle disposizioni Consob in materia di controlli societari e delle indicazioni contenute nel Codice di Corporate Governance delle società quotate promosso da Borsa Italiana. L'attività di vigilanza è stata svolta, nel periodo compreso tra la data della nomina e la fine dell'esercizio, nel corso delle n. 7 riunioni del Collegio Sindacale, assistendo alle n. 6 riunioni del Consiglio di Amministrazione, partecipando altresì all'assemblea degli azionisti tenutasi in data 30 maggio 2022, alle n. 4 riunioni del Comitato

Controllo e Rischi e ad una riunione del Comitato per la Remunerazione. Si precisa che durante il periodo intercorso tra l'inizio dell'esercizio e la data del 13 aprile 2022, periodo durante il quale era in carica il Collegio Sindacale nella precedente composizione, si sono tenute 5 verifiche sindacali, 3 Consigli di Amministrazione e l'Assemblea degli azionisti del 13 aprile 2022, 2 riunioni del Comitato Remunerazione e 3 riunioni del Comitato Controllo e Rischi.

Il Collegio Sindacale ha incontrato periodicamente la società di revisione e, dagli incontri avuti, non sono emersi fatti di rilievo meritevoli di segnalazione concernenti l'attività di revisione, né carenze determinanti sull'integrità del sistema di controllo interno per ciò che concerne il processo di informativa finanziaria.

A tale proposito, si segnala che, con delibera assembleare del 27 aprile 2017, l'incarico di revisione legale del bilancio di esercizio e del bilancio consolidato è stato affidato alla società di revisione EY SpA (in seguito anche «EY») per il periodo 2017-2025.

Si precisa, inoltre, che nel corso dell'attività di vigilanza svolta e sulla base delle informazioni ottenute dalla società di revisione, non sono state rilevate omissioni, fatti censurabili o irregolarità o comunque fatti significativi, tali da richiederne la segnalazione agli organi di controllo.

ATTIVITÀ DI VIGILANZA AI SENSI DELL'ART. 149 DEL TUF

Ai sensi dell'art. 149 del TUF, il Collegio Sindacale vigila:

- sull'osservanza della legge e dello statuto;
- sul rispetto dei principi di corretta amministrazione;
- sull'adeguatezza della struttura organizzativa della società per gli aspetti di competenza, del sistema di controllo interno e del sistema amministrativo-contabile nonché sull'affidabilità di quest'ultimo nel rappresentare correttamente i fatti di gestione;
- sulle modalità di concreta attuazione delle regole di governo societario previste da codici di comportamento redatti da società di gestione di mercati regolamentati o da associazioni di categoria, cui la società, mediante informativa al pubblico, dichiara di attenersi;
- sull'adeguatezza delle disposizioni impartite dalla società alle società controllate ai sensi dell'articolo 114, comma 2, del TUF.

- *Attività di vigilanza sull'osservanza della legge e dello statuto*

Il Collegio Sindacale ha acquisito le informazioni strumentali allo svolgimento dei compiti di vigilanza a esso attribuiti mediante la partecipazione alle riunioni del Consiglio di Amministrazione e dei comitati endo-consiliari, audizioni del management della Società e del Gruppo, incontri con la società di revisione, analisi dei flussi informativi acquisiti dai corrispondenti organi di controllo delle società del Gruppo e dalle competenti strutture aziendali, nonché ulteriori attività di controllo.

In particolare, il Collegio Sindacale:

- ai sensi dell'art. 150, comma 1 del TUF ha ottenuto dagli amministratori, con periodicità almeno trimestrale, informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale realizzate dalla Società, nonché sulle linee guida strategiche di Gruppo. Il Collegio Sindacale può ragionevolmente assicurare che le operazioni deliberate e poste in essere sono conformi alla legge e allo statuto e non sono manifestamente imprudenti o azzardate, o in contrasto con le delibere assunte dall'Assemblea, o tali da compromettere l'integrità del patrimonio sociale. Non risultano, altresì, operazioni atipiche o inusuali;
- segnala le seguenti operazioni ed eventi di particolare rilevanza nel 2022:
 - durante l'esercizio si è dato seguito ad una serie di operazioni straordinarie finalizzate al processo di riorganizzazione aziendale del Gruppo BasicNet. Obiettivo del progetto, che sarà completato nel corso dell'esercizio in corso, è far confluire sotto il controllo diretto della capogruppo BasicNet tutte le società proprietarie dei singoli marchi in modo da permettere una maggiore focalizzazione sui singoli brand. Si precisa che tutte le operazioni straordinarie caratterizzanti l'esercizio 2022 sono avvenute in continuità di valori contabili e fiscali e non hanno comportato una modifica di assetti societari, né di struttura patrimoniale del Gruppo;
 - acquisizione K-Way France: in data 1° aprile 2022, a valle dell'esito positivo della due diligence legale, fiscale e giuslavoristica si è perfezionata l'operazione di acquisto dell'intero capitale sociale di K-Way France S.a.s;
- ai sensi dell'art. 150, comma 3 del TUF ha tenuto periodiche riunioni con gli esponenti della società di revisione al fine di poter scambiare con essa dati e informazioni consolidati rilevanti per l'espletamento del proprio compito. A tal proposito si fa presente che non sono emersi dati e informazioni rilevanti che debbano essere segnalati nella presente relazione;

- ai sensi dell'art. 151, commi 1 e 2, del TUF ha avuto scambi di informazioni con i Collegi Sindacali delle società controllate relativamente all'attività svolta nel corso del 2022;
- ha ricevuto dall'Organismo di Vigilanza informazioni circa la propria attività, dalla quale non risultano anomalie o fatti significativi censurabili;
- ha vigilato sul rispetto delle disposizioni in materia di privacy di cui al Regolamento UE n. 2016/679 (c.d. GDPR);
- non ha ricevuto denunce ex art. 2408 del Codice Civile, né sono stati presentati esposti di alcun genere;
- non ha effettuato segnalazioni alla Consob ex art. 149, comma 3, del TUF;
- ha espresso pareri ai sensi dell'art. 2389, comma 3, del Codice Civile sulla remunerazione degli amministratori investiti di particolari cariche. In particolare, nel mese di aprile 2022 il Collegio si è espresso sulla proposta del Comitato Remunerazione relativamente ai compensi da attribuire ai componenti del Consiglio di Amministrazione;
- ha vigilato sull'espletamento degli adempimenti correlati alle normative "Market abuse" e "Tutela del risparmio" in materia di informativa societaria e di "Internal Dealing", con particolare riferimento al trattamento delle informazioni privilegiate e alla procedura per la diffusione dei comunicati e delle informazioni al pubblico.

Ulteriormente, il Collegio Sindacale, quanto agli organi e alle funzioni sociali, segnala che:

- il Consiglio di Amministrazione nel corso dell'esercizio 2022 si è riunito n. 9 volte (di cui 6 nella composizione successiva alla nomina da parte dell'Assemblea degli Azionisti in data 13 aprile 2022);
- il Comitato Controllo e Rischi (che riveste anche la funzione di Comitato Parti Correlate) nel corso dell'esercizio 2022 si è riunito n. 7 volte (di cui 4 nella composizione successiva alla nomina da parte del Consiglio di Amministrazione in data 13 aprile 2022);
- il Comitato per la Remunerazione nel corso dell'esercizio 2022 si è riunito n. 3 volte (di cui 1 nella composizione successiva alla nomina da parte del Consiglio di Amministrazione in data 13 aprile 2022);
- l'Organismo di Vigilanza nel corso dell'esercizio 2022 si è riunito n. 3 volte (di cui 2 nella composizione successiva alla riunione del Consiglio di Amministrazione in data 13 aprile 2022).

- *Attività di vigilanza sul rispetto dei principi di corretta amministrazione sull'adeguatezza della struttura organizzativa*

Il Collegio Sindacale:

— ha acquisito conoscenza e vigilato, per quanto di competenza, sull'adeguatezza della struttura organizzativa della Società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili delle funzioni aziendali e incontri con la società di revisione ai fini del reciproco scambio di dati e informazioni rilevanti e a tale riguardo non ha osservazioni particolari da riferire, ritenendo la struttura organizzativa della Società sostanzialmente adeguata alle necessità della stessa e idonea a garantire il rispetto dei principi di corretta amministrazione;

— ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle rispettive funzioni, l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione, e a tale riguardo non ha osservazioni particolari da riferire;

— non ha constatato fatti e circostanze comportanti l'inidoneità del sistema amministrativo-contabile delle società controllate extra Ue a far pervenire regolarmente alla direzione e al revisore della società controllante i dati economici, patrimoniali e finanziari necessari per la redazione del bilancio consolidato, come previsto dall'art. 15, comma 1, lett. c, punto ii), del Regolamento Mercati (condizioni per la quotazione di azioni di società controllanti società costituite e regolate dalla legge di stati non appartenenti all'Unione Europea).

Il Collegio Sindacale ha constatato che adeguata documentazione a supporto degli argomenti oggetto di discussione nei consigli di amministrazione è resa disponibile ad amministratori e sindaci con congruo anticipo.

Sulla base delle informazioni acquisite, il Collegio Sindacale dà atto che le scelte gestionali sono ispirate al principio di corretta informazione e di ragionevolezza e che gli Amministratori sono stati resi edotti della rischiosità e degli effetti delle operazioni compiute.

Il Collegio Sindacale non ha riscontrato operazioni significative atipiche e/o inusuali, comprese quelle infragruppo o con parti correlate infragruppo e non infragruppo.

Il Collegio ha, altresì, valutato l'adeguatezza delle informazioni rese all'interno della relazione sulla gestione circa la non esistenza di operazioni significative atipiche e/o inusuali.

- *Attività di vigilanza sulle modalità di concreta attuazione delle regole di governo societario*

In relazione a quanto previsto dall'art. 149, comma 1, lett. c-bis, del TUF in merito alla vigilanza da parte del Collegio Sindacale «sulle modalità di concreta attuazione delle regole di governo societario previste da codici di comportamento redatti da società di gestione di mercati regolamentati o da associazioni di categoria, cui la società, mediante informativa al pubblico, dichiara di attenersi», il Collegio Sindacale segnala che la Società, con delibera del Consiglio di Amministrazione del 27 ottobre ha deliberato di non proseguire l'adesione al Codice di Corporate Governance se non nella misura in cui le raccomandazioni in esso contenute corrispondano a quelle introdotte dalla legislazione in vigore per le società quotate, ovvero Codice Civile, Testo Unico della Finanza e le correlate norme regolamentari emanate da Consob, da Borsa Italiana e dai Regolamenti Europei applicabili, ritenendo di essere dotata di un modello di governance costantemente aggiornato in relazione all'evoluzione della normativa sulle società quotate, di aver garantito piena trasparenza e correttezza nella conduzione del business, nonché un equilibrato ed efficace sistema dei controlli e presidio dei rischi.

— ha preso atto che la Relazione sul governo societario e gli assetti proprietari relativa al 2022, approvata in data 9 marzo 2023, in adempimento degli obblighi normativi e regolamentari in materia, contiene le informazioni sugli assetti proprietari.

Il Collegio Sindacale dà, inoltre, atto:

— di aver riscontrato in capo a tutti i suoi componenti effettivi il possesso dei requisiti di indipendenza, professionalità, onorabilità e limiti al cumulo degli incarichi previsti dalla legge, dallo statuto e dal Codice di Corporate Governance, nonché il corretto ed efficace funzionamento dell'organo nel suo complesso, formalizzando in una relazione gli esiti del processo di autovalutazione effettuato e dandone comunicazione al Consiglio di Amministrazione, che ne ha dato notizia nella Relazione sul governo societario e gli assetti proprietari;

— di aver riscontrato la corretta applicazione dei criteri e delle procedure adottate dal Consiglio di Amministrazione per valutare annualmente l'indipendenza dei propri amministratori indipendenti.

- *Attività di vigilanza sull'adeguatezza delle disposizioni impartite dalla società alle società controllate*

Ai sensi dell'articolo 114, comma 2, del TUF: (i) gli emittenti quotati impartiscono le disposizioni occorrenti affinché le società controllate forniscano tutte le notizie necessarie per adempiere gli obblighi di comunicazione previsti dalla legge; (ii) le società controllate trasmettono tempestivamente le notizie richieste.

Il Collegio Sindacale ha vigilato sull'adeguatezza delle disposizioni impartite alle società controllate, avendo constatato che la Società è in grado di adempiere tempestivamente e regolarmente agli obblighi di comunicazione previsti dalla legge; ciò anche tramite la raccolta di informazioni dai responsabili delle funzioni organizzative, ai fini del reciproco scambio di dati e informazioni rilevanti. Al riguardo, non vi sono osservazioni particolari da riferire.

Inoltre, nei Consigli di Amministrazione delle società controllate sono presenti, con deleghe operative, Amministratori e/o Dirigenti della capogruppo che garantiscono una direzione coordinata e un adeguato flusso di notizie, supportato anche da idonee informazioni contabili.

- *Operazioni infragruppo o con parti correlate*

Ai sensi dell'art. 2391-bis del Codice Civile e della delibera Consob n. 17221 del 12 marzo 2010 recante il Regolamento Operazioni con Parti Correlate (in seguito anche «Regolamento»), da ultimo modificata con delibera Consob n. 22144 del 22 dicembre 2021, in data 29 ottobre 2010 BasicNet si è dotata della Procedura per le operazioni con parti correlate. La Procedura per le operazioni con parti correlate è stata successivamente aggiornata in data 31 luglio 2014, in data 28 ottobre 2016 e, da ultimo, in data 11 giugno 2021 per recepire le novità introdotte dalla delibera Consob del 10 dicembre 2020.

La procedura attualmente vigente (in seguito anche «Procedura»), i cui contenuti sono riassunti nella Relazione sul governo societario e gli assetti proprietari, (i) è coerente con i principi contenuti nel Regolamento in vigore alla data della presente relazione ed (ii) è pubblicata sul sito internet della Società (www.basicnet.com nella sezione Corporate Governance BasicNet).

Nel corso dell'esercizio 2022, sulla base delle informazioni ricevute, risultano poste in essere una serie di operazioni con parti correlate, sia infragruppo, sia con terzi; tali operazioni, per quanto ci consta:

- sono state eseguite in sostanziale aderenza alla Procedura e al Regolamento;
- risultano effettuate nell'interesse della Società, di natura ordinaria e concluse a condizioni equivalenti a quelle di mercato o standard;

- non includono operazioni atipiche o inusuali.

Le operazioni con parti correlate trovano adeguata descrizione nell'ambito del bilancio; in particolare, le informazioni su rapporti con parti correlate sono presentate nella nota 42 del bilancio di esercizio e nella nota 51 del bilancio consolidato, nelle quali sono riportati anche i principali saldi economici e patrimoniali derivanti dai rapporti con parti correlate, inclusi — ove presenti — quelli relativi agli Amministratori, ai Sindaci e ai Dirigenti con responsabilità strategiche.

Le informazioni di dettaglio sui compensi spettanti per l'esercizio 2022 ai componenti degli organi di amministrazione e controllo e ai Dirigenti con responsabilità strategiche sono indicate nella Relazione sulla remunerazione 2022 redatta ai sensi dell'art. 123-ter del TUF.

ATTIVITÀ DI VIGILANZA AI SENSI DEL D. LGS. N. 39/2010

Ai sensi del D. Lgs. n. 39/2010 così come modificato dal D. Lgs. 135/2016 (in seguito anche «Decreto») il Collegio Sindacale, identificato dal Decreto quale Comitato per il Controllo Interno e per la Revisione Contabile, è incaricato di:

- informare l'organo di amministrazione dell'ente sottoposto a revisione dell'esito della revisione legale e trasmettere a tale organo la relazione aggiuntiva di cui all'art. 11 del Reg. EU n. 537/2014 (in seguito anche «Regolamento Europeo»), corredata da eventuali osservazioni;
- monitorare il processo di informativa finanziaria e presentare le raccomandazioni o le proposte volte a garantirne l'integrità;
- controllare l'efficacia dei sistemi di controllo interno della qualità e di gestione del rischio dell'impresa e, se applicabile, della revisione interna, per quanto attiene l'informativa finanziaria dell'ente sottoposto a revisione, senza violarne l'indipendenza; monitorare la revisione legale del bilancio d'esercizio e del bilancio consolidato, anche tenendo conto di eventuali risultati e conclusioni dei controlli di qualità svolti dalla Consob a norma dell'art. 26, par. 6, del Regolamento Europeo, ove disponibili;
- verificare e monitorare l'indipendenza dei revisori legali o delle società di revisione legale a norma degli artt. 10, 10-bis, 10-ter, 10-quater e 17 del Decreto e dell'art. 6 del Regolamento Europeo, in particolare per quanto concerne l'adeguatezza della prestazione di servizi diversi dalla revisione all'ente sottoposto a revisione, conformemente all'art. 5 di tale Regolamento;

— essere responsabile della procedura volta alla selezione dei revisori legali o delle società di revisione legale e raccomandare i revisori legali o le imprese di revisione legale da designare ai sensi dell'art. 16 del Regolamento Europeo.

Il Collegio Sindacale ha interagito strettamente con il Comitato Controllo e Rischi, costituito in seno al Consiglio di Amministrazione, allo scopo di coordinare le rispettive competenze, porre in essere scambi informativi e confronti costanti ed evitare sovrapposizioni di attività. Nello specifico, è stata mantenuta nel 2022, in continuità con gli esercizi precedenti, la prassi di favorire la partecipazione dell'intero Collegio Sindacale alle attività del Comitato Controllo e Rischi quando riferite a temi di specifico rilievo ai sensi del Decreto, agevolando il coordinamento e lo scambio informativo tra i due organi. Con riferimento alle attività previste dal Decreto si segnala quanto segue:

- *Informativa all'Organo di Amministrazione sull'esito della revisione legale e sulla Relazione aggiuntiva di cui all'art. 11 del Regolamento europeo*

Il Collegio rappresenta che la società di revisione EY ha rilasciato in data 20 marzo 2023 la relazione aggiuntiva ex art. 11 del Regolamento Europeo (in seguito anche «Relazione Aggiuntiva»), che rappresenta i risultati della revisione legale dei conti effettuata e include la dichiarazione relativa all'indipendenza di cui all'art. 6, par. 2, lett. a), del Regolamento, oltre che le informative richieste dall'art. 11 del medesimo Regolamento, senza individuare carenze significative.

Il Collegio Sindacale ha provveduto a informare il Consiglio di Amministrazione della Società in merito agli esiti della revisione legale e, a tal fine, ha trasmesso al Presidente del Consiglio di Amministrazione la Relazione Aggiuntiva ai sensi dell'art. 19 del Decreto.

- *Attività di vigilanza sul processo di informativa finanziaria*

Il Collegio Sindacale ha verificato l'esistenza di norme e procedure a presidio del processo di formazione e diffusione delle informazioni finanziarie; a tale proposito la Relazione annuale sul governo societario e gli assetti proprietari definisce le linee guida di riferimento per l'istituzione e la gestione del sistema delle procedure amministrative e contabili.

Il Collegio Sindacale ha esaminato, con l'assistenza del Dirigente preposto alla redazione dei documenti contabili societari, le procedure relative all'attività di formazione del bilancio della Società e del bilancio consolidato, nonché di ogni altra comunicazione di carattere finanziario.

Il Collegio Sindacale è stato informato che tali procedure sono predisposte sotto la responsabilità del Dirigente Preposto, che, congiuntamente all'Amministratore Delegato e al Presidente del Consiglio di Amministrazione, ne attesta l'adeguatezza ed effettiva applicazione in occasione del bilancio di esercizio e consolidato e della relazione finanziaria semestrale.

Sono state rilasciate da parte dell'Amministratore Delegato, del Presidente del Consiglio di Amministrazione e del Dirigente Preposto le attestazioni del bilancio consolidato e del bilancio d'esercizio ai sensi dell'art. 154-bis del TUF.

Il Collegio Sindacale esprime, pertanto, una valutazione di adeguatezza del processo di formazione dell'informativa finanziaria e ritiene non sussistano rilievi da sottoporre all'Assemblea.

- *Attività di vigilanza sull'efficacia dei sistemi di controllo interno, di revisione interna e di gestione del rischio*

Il Collegio Sindacale ha vigilato sull'adeguatezza e sull'efficacia del sistema di controllo interno e di gestione dei rischi ("SCIGR").

Il Collegio Sindacale ha incontrato periodicamente il Responsabile dell'Internal Audit, venendo informato in relazione (i) ai risultati degli interventi di audit (finalizzati a verificare l'adeguatezza e l'operatività del sistema di controllo interno, il rispetto della legge, delle procedure e dei processi aziendali, (ii) all'attività di implementazione dei relativi piani di miglioramento e (iii) all'attività di identificazione, valutazione, gestione e il monitoraggio dei rischi identificati nell'ambito del business model aziendale.

Il Collegio ha ricevuto il piano delle attività di audit per l'esercizio 2022, ed è stato periodicamente aggiornato sullo stato di avanzamento del piano stesso; ha ricevuto altresì la relazione del Responsabile dell'Internal Audit per l'anno 2022, relativa alla valutazione del sistema di controllo interno, dalla quale emerge un giudizio di affidabilità e idoneità del SCIGR del Gruppo.

Inoltre, con periodicità semestrale, ha ricevuto dal Comitato Controllo e Rischi la relazione sulle attività svolte; come indicato nella relazione annuale relativa all'esercizio 2022, "il Comitato ritiene che non siano emerse situazioni o criticità rilevanti tali da far ritenere non adeguato il Sistema di Controllo Interno e di Gestione dei Rischi".

In merito al corretto adempimento delle norme contenute nel D. Lgs. 231/2001, il Collegio Sindacale ha preso atto che, nel corso del 2022, l'OdV di BasicNet ha proseguito nell'analisi degli

strumenti organizzativi, di gestione e di controllo per garantire che il Modello di Organizzazione, Gestione e Controllo ex D. Lgs. 231/01 adottato da BasicNet sia coerente con l'evoluzione normativa.

Il Collegio Sindacale ha esaminato la relazione dell'OdV sull'attività svolta nel 2022 dalla quale emerge che è in corso una revisione del Modello Organizzativo alla luce dell'attività di riorganizzazione, sopra citata che sarà opportunamente integrato sia nella parte generale, in recepimento dei nuovi reati, sia in riferimento alle parti speciali. Dalla relazione non emergono temi da sottoporre all'attenzione dell'Assemblea.

Nel corso dell'esercizio 2022 è proseguito l'aggiornamento del modello strutturato di risk management relativo al proprio framework ERM (Enterprise Risk Management) al fine di recepire le modifiche societarie in corso. Il Collegio ha seguito attivamente l'evoluzione del progetto.

Alla luce di tutto quanto su illustrato, il Collegio Sindacale ritiene che non sussistano elementi tali da non far ritenere sostanzialmente adeguato ed efficace il sistema di controllo interno nel suo complesso; parimenti, il Collegio ritiene che non vi siano rilievi da sottoporre all'Assemblea.

- *Attività di vigilanza sulla revisione legale del bilancio d'esercizio e del bilancio consolidato*

La contabilità è stata sottoposta ai controlli previsti dalla normativa da parte della società di revisione la quale, nel corso degli incontri periodici avuti con il Collegio Sindacale, non ha evidenziato rilievi a riguardo.

Il Collegio Sindacale ha analizzato l'attività svolta dalla società di revisione e, in particolare, l'impianto metodologico, l'approccio di revisione utilizzato per le diverse aree significative di bilancio e la pianificazione del lavoro di revisione.

Il Collegio Sindacale ha altresì condiviso con la società di revisione le problematiche relative ai rischi aziendali, potendo così apprezzare l'adeguatezza della risposta pianificata dal revisore in termini di approccio di revisione con i profili, strutturali e di rischio, della Società e del Gruppo.

EY ha emesso, in data 20 marzo 2023, la Relazione Aggiuntiva ex art. 11 del Regolamento europeo, la relazione sulla revisione contabile del bilancio d'esercizio e la relazione sulla revisione contabile del bilancio consolidato. Quanto alle ultime due relazioni, si rappresenta che entrambe le relazioni contengono:

- (i) il giudizio di rappresentazione veritiera e corretta della situazione patrimoniale e finanziaria di BasicNet e del Gruppo al 31 dicembre 2022, del risultato economico e dei flussi di cassa per l'esercizio chiuso a tale data in conformità agli International Financial Reporting Standards adottati dall'Unione Europea, nonché ai provvedimenti emanati in attuazione dell'art. 9 del D. Lgs. 38/05;
 - (ii) la descrizione degli eventuali aspetti chiave della revisione e le procedure di revisione in risposta agli aspetti chiave;
 - (iii) il giudizio di coerenza della relazione sulla gestione con il bilancio d'esercizio e consolidato al 31 dicembre 2022 e sulla conformità della stessa alle norme di legge;
 - (iv) il giudizio di coerenza di alcune specifiche informazioni della Relazione sul governo societario e gli assetti proprietari con il bilancio d'esercizio e consolidato al 31 dicembre 2022;
 - (v) la conferma che il giudizio sul bilancio d'esercizio e il giudizio sul bilancio consolidato espresso nelle rispettive relazioni sono in linea con quanto indicato nella Relazione Aggiuntiva destinata allo scrivente Collegio Sindacale, nella sua funzione di Comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del Regolamento europeo;
- le citate relazioni non contengono rilievi né richiami di informativa;
 - nella relazione sulla revisione del bilancio consolidato EY dà atto di aver verificato l'avvenuta approvazione, da parte degli Amministratori, della dichiarazione di carattere non finanziario.
 - *Attività di vigilanza sull'indipendenza della società di revisione, in particolare per quanto concerne la prestazione di servizi non di revisione*

Il Collegio Sindacale ha vigilato, anche con riferimento a quanto previsto dall'art. 19 del D. Lgs. 39/2010, sull'indipendenza della società di revisione: in merito, si evidenzia che nel corso dell'esercizio 2022 EY ha prestato alle società controllate servizi diversi dalla revisione per un importo pari a Euro 40.000. I compensi corrisposti dal Gruppo BasicNet alla società di revisione EY e a società appartenenti alla rete sono i seguenti:

Tipologia di servizi	Soggetto che ha erogato il servizio	Destinatario	Compensi di competenza 2022
Revisione contabile	EY S.p.A.	Capogruppo BasicNet S.p.A.	56.000
		Società controllate	164.400
	Network EY	Società controllate	142.875
Servizi attestazione	EY S.p.A.	Capogruppo BasicNet S.p.A.	
		Società controllate	
Altri servizi	EY S.p.A.	Società controllate	40.000
Totale			403.275

Il Collegio Sindacale considera che i summenzionati corrispettivi sono adeguati alla dimensione, alla complessità e alle caratteristiche dei lavori effettuati. Il Collegio ritiene altresì sussistente il requisito di indipendenza della società di revisione EY, la quale ha fornito, nell'ambito della Relazione Aggiuntiva ex art. 11 del Regolamento europeo emessa in data 20 marzo 2023, conferma annuale dell'indipendenza ai sensi dell'art. 6, comma 2, lett. a) del Regolamento Europeo.

DICHIARAZIONE CONSOLIDATA DI CARATTERE NON FINANZIARIO (DNF)

BasicNet, in qualità di ente di interesse pubblico (EIP) e Gruppo di grandi dimensioni, è tenuta — a partire dall'esercizio 2017 — a comunicare le informazioni di carattere non finanziario presentando, in conformità alle disposizioni del D. Lgs. 254/2016, una Dichiarazione consolidata di carattere non finanziario (DNF).

In ottemperanza alle sopra richiamate normative, all'interno della DNF sono presentate le principali politiche praticate dalla Società, i modelli di gestione e le principali attività svolte dal Gruppo nel corso dell'anno 2022, relativamente ai temi espressamente previsti dall'art. 3 del D. Lgs 254/2016, in conformità agli standard di rendicontazione Global Reporting Initiative Sustainability Reporting Standards pubblicati dal Global Reporting Initiative (GRI), secondo l'opzione "in accordance core". Nella predisposizione della DNF si è fatto riferimento anche agli Orientamenti sulla comunicazione di informazioni di carattere non finanziario della Commissione Europea. In merito, il Collegio Sindacale ha vigilato sull'osservanza delle disposizioni stabilite nel D. Lgs. 254/2016, nell'ambito delle competenze ad esso attribuite dall'ordinamento; a tal riguardo, si rappresenta che:

— il Collegio Sindacale ha ottenuto periodici aggiornamenti in merito allo svolgimento delle attività propedeutiche alla predisposizione della DNF;

— ai sensi dell'art. 3, comma 10, del D. Lgs. 254/2016 e dell'art. 5 del Regolamento Consob n. 20267, la Società ha incaricato EY di effettuare l'esame limitato della DNF del Gruppo BasicNet;

— EY ha emesso, in data 20 marzo 2023, un'apposita relazione esprimendo, sulla base delle procedure svolte, un giudizio di conformità della DNF rispetto a quanto richiesto dal Decreto e dai nuovi standard di rendicontazione GRI Sustainability Reporting Standards.

Il Collegio Sindacale non è venuto a conoscenza di violazioni delle relative disposizioni normative ed esprime, pertanto, una valutazione di adeguatezza del processo di formazione dell'informativa non finanziaria e ritiene non sussistano rilievi da sottoporre all'Assemblea.

BILANCIO D'ESERCIZIO, BILANCIO CONSOLIDATO E RELAZIONE SULLA GESTIONE

Il bilancio di BasicNet, approvato con delibera del Consiglio di Amministrazione della Società il 10 marzo 2023, è stato redatto in base ai principi contabili internazionali IAS-IFRS emessi dall'International Accounting Standards Board (IASB) e omologati dall'Unione Europea.

Con specifico riguardo all'esame del bilancio d'esercizio chiuso al 31 dicembre 2022, del bilancio consolidato e della Relazione sulla gestione, il Collegio Sindacale riferisce quanto segue:

— il fascicolo di bilancio è stato consegnato al Collegio Sindacale in tempo utile per essere depositato presso la sede della Società corredato dalla presente relazione;

— il bilancio della Società e il bilancio consolidato risultano redatti secondo la struttura e gli schemi imposti dalle norme vigenti;

— il bilancio è corredato dalla relazione degli amministratori sulla gestione, nella quale sono riepilogati i principali rischi e incertezze e si dà conto dell'evoluzione prevedibile della gestione; essa risulta conforme alle norme vigenti e coerente con le deliberazioni dell'organo amministrativo e con le risultanze del bilancio. Contiene, inoltre, un'adeguata informazione sull'attività dell'esercizio e sulle operazioni infragruppo. La sezione contenente l'informativa sulle operazioni con parti correlate è stata inserita, in ottemperanza ai principi IFRS, nelle note esplicative del bilancio;

— sono state anche predisposte, ai sensi dell'art. 123-bis del TUF, la Relazione sul governo societario e gli assetti proprietari e, ai sensi dell'art. 123-ter del TUF, la Relazione sulla remunerazione;

- di aver verificato la razionalità dei procedimenti valutativi applicati e la loro rispondenza alle logiche dei principi contabili internazionali IAS-IFRS;
- il Consiglio di Amministrazione di BasicNet, coerentemente con le indicazioni del documento congiunto di Banca d'Italia/Consob/ISVAP del 3 marzo 2010, ha approvato la procedura dell'impairment test in via autonoma e anticipata rispetto al momento dell'approvazione del progetto di bilancio, accertandone la rispondenza alle prescrizioni del principio contabile internazionale IAS 36. Nelle note esplicative al bilancio sono riportate informazioni ed esiti dei processi valutativi condotti;
- di aver verificato la rispondenza del bilancio ai fatti e alle informazioni di cui si è avuta conoscenza a seguito dell'espletamento dei doveri che gli competono, non avendo, quindi, osservazioni al riguardo;
- per quanto a conoscenza del Collegio Sindacale, gli Amministratori, nella redazione del bilancio, non hanno derogato alle norme di legge ai sensi dell'art. 2423 c.c.

PROPOSTA ALL'ASSEMBLEA

1. Bilancio al 31 dicembre 2022

Il Collegio Sindacale esprime parere favorevole all'approvazione del bilancio al 31 dicembre 2022 e non ha obiezioni da formulare in merito alla proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione dell'utile.

CONSIDERAZIONI FINALI

Il Collegio Sindacale non ha rilievi da segnalare in ordine alle informazioni ottenute e all'attività di vigilanza svolta; non ha constatato omissioni, fatti censurabili o irregolarità o circostanze tali da richiedere segnalazioni in questa relazione o all'Autorità di Vigilanza.

Ai sensi dell'art. 144 quinquiesdecies del Regolamento Emittenti, approvato dalla Consob con deliberazione 11971/99 e successive modificazioni e integrazioni, l'elenco degli incarichi ricoperti dai componenti del Collegio Sindacale presso le società di cui al Libro V, Titolo V, Capi V, VI e VII del Codice Civile è pubblicato dalla Consob sul proprio sito internet (www.consob.it).

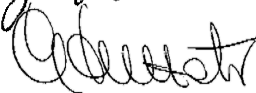
Torino, 22 marzo 2023

il Collegio Sindacale

Ugo Palumbo (Presidente)



Gianna Luzzati (sindaco effettivo)



Alberto Pession (sindaco effettivo)

