





## **CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS**

***AT DECEMBER 31, 2021***

**DIRECTORS' REPORT**

**CONSOLIDATED FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES**

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

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

### BOARD OF DIRECTORS

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

(1) Independent Directors

(2) Lead Independent Director

### REMUNERATION COMMITTEE

Carlo Pavesio	<b>Chairperson</b>
Elisa Corghi	
Renate Hendlmeier	
Adriano Marconetto	
Daniela Ovazza	

### CONTROL AND RISKS AND RELATED PARTIES COMMITTEE

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

### BOARD OF STATUTORY AUDITORS

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

### INDEPENDENT AUDIT FIRM

**EY S.p.A.**

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

Marco Boglione, 1999

Dear Shareholders,

#### 2021 Key Performance Indicators:

- aggregate sales of Group products by the Global licensee Network of Euro 949.4 million, up 16.6% as follows:

<i>(in Euro millions)</i>	<b>2021</b>	<b>2020</b>	<b>% Change</b>
Commercial licensee sales	709.6	601.9	17.9%
Productive licensee sales	239.8	212.1	13.1%
<b>Licensee aggregate sales</b>	<b>949.4</b>	<b>814.0</b>	<b>16.6%</b>

Commercial licensee sales saw major growth compared to last year. Overall, Europe, which accounts for approx. 68% of sales, reports a significant recovery, with a 17.6% increase over 2020 and 1% growth over the record year of 2019. Sales in the Americas rose 60.2% (+19% on 2019) and 40.5% in the Middle East and Africa. Asia and Oceania, which represents 7.2% of sales, reported a decline of 31.8% on the previous year, mainly due to the replacement of a licensee. Productive licensee sales grew 13.1%;

- consolidated revenues of Euro 296.4 million (Euro 259.7 million in 2020, +14.1% and +26.5% in the fourth quarter alone), as follows:
  - royalties from commercial and productive licensees of Euro 54.8 million (Euro 46 million in 2020, +19.1%);
  - direct sales: Euro 241.6 million (Euro 213.8 million in 2020, +13%); this result is even more exceptional when considering that, again in 2021, restrictions aimed at containing COVID continued, although sporadically, in both Italy and France;
- EBITDA: Euro 44.2 million (Euro 19.8 million in 2020);
- EBIT: Euro 31.6 million (Euro 7.6 million in 2020);
- net profit of Euro 20.3 million, (Euro 8.6 million in 2020, +136.9%);
- net financial position indicates debt of Euro 61.7 million, significantly improving on Euro 82.2 million at December 31, 2020. This follows the generation of cash of approx. Euro 46 million, having invested approx. Euro 10 million, paid dividends of Euro 3.1 million and acquired treasury shares of Euro 6 million.

#### Parent Company Key Financial Highlights:

- EBIT of Euro 5.9 million (Euro 3.9 million in 2020);
- net profit of Euro 65.7 million. This performance 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. Net of this component, the net profit was Euro 4.8 million, compared to Euro 4.7 million in 2020.

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.

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 licensee aggregate sales:** sales by commercial licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.
- **Productive licensee aggregate sales:** sales by productive licensees, recognised by the BasicNet Group to the “royalties and sourcing commissions” account of the income statement.
- **Consolidated Revenues:** the sum of royalties, sourcing commissions and sales of the BasicNet Group companies.
- **EBITDA:** “operating result” before “amortisation and depreciation”.
- **EBIT:** “operating result”.
- **Contribution margin on direct sales:** “gross profit”;
- **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.
- **Basic earnings 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 through a global network of licensees. This business network is defined as the “Network”. And from which the name BasicNet derives. The Network of licensees encompasses all key markets worldwide.

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

### STRENGTHS

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

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

#### 1. Brand positioning

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



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



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



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



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



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



produces exceptional American footwear. The brand, founded in Westbrook, Maine (USA) in 1946, takes its name from the nearby Sebago Lake, which in the native American Abenaki language means “elongated water basin”. The brand launched with the famous “penny loafer”, handmade in accordance with local tradition and over the years has continued with best sellers such as the Docksides® boat shoes. The Sebago® brand is now distributed across 90 markets worldwide.



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



is the high-end leisure, sport and formal occasion footwear brand, emerging from the racing and automobile world. The brand is positioned in the fashion segment. 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 centred 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., controls the strategic activities for the directly managed brands and the “Powered by” activities for the brands that develop strategic functions autonomously (i.e. K-Way).

These strategic activities mainly include:

- product research and development;
- global marketing;

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.

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

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

As part of the Business System development, the Group has also established a direct customer sale system called plug@sell<sup>®</sup>, 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 of BasicRetail S.r.l., K-WayRetail S.r.l., K-WayRetail Suisse S.A. and of the companies of the French Group Kappa Europe S.a.s., 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. Specifically:

- the strategic and “Powered by” activities described above and developed by BasicNet S.p.A. and K-Way S.p.A.;
- 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;
- 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 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, a property acquired in 2020 and currently undergoing restructuring work;
- a property in Turin (Strada della Cebrosa, 106), leased to the company BasicItalia.

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

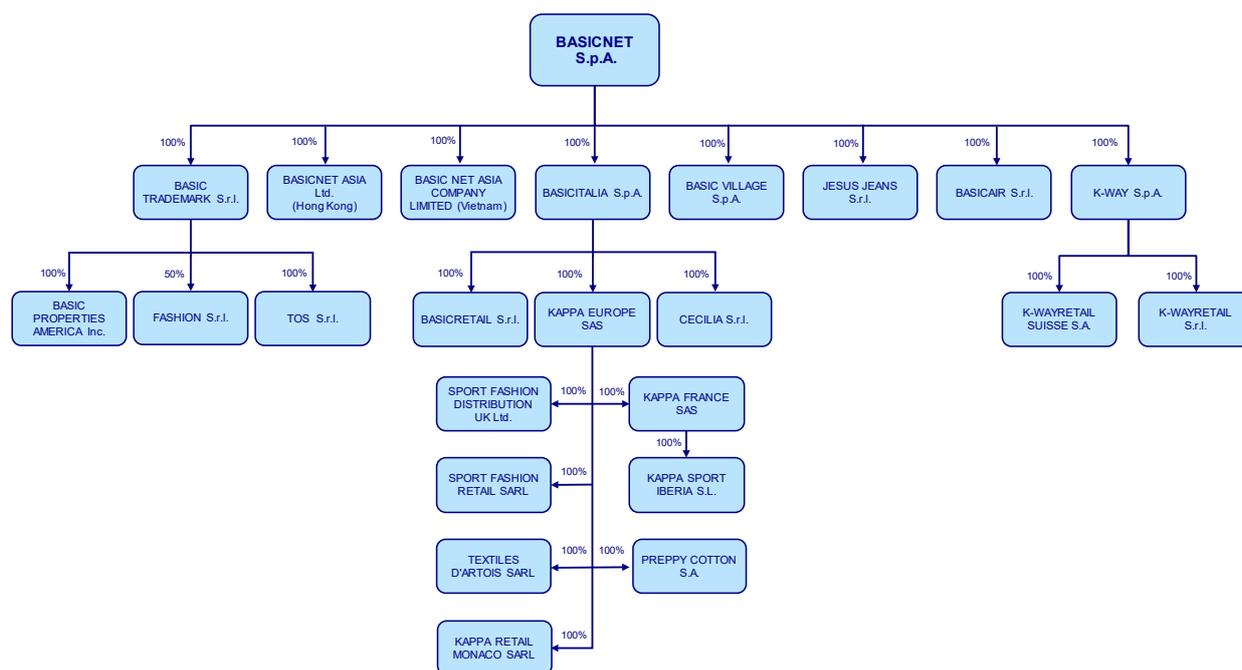
## **BUSINESS TARGETS**

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.

The BasicNet Group structure at December 31, 2021 is presented below:



## 2021 SIGNIFICANT EVENTS

### Covid-19 Health Crisis

As noted, the COVID-19 health emergency continued also in 2021 and forced the Governments of the affected countries to adopt new restrictions from December 2020 and for the entire first half of 2021, particularly in terms of commercial activities. Limited to the countries in which the Group operates directly, shopping centres in Italy closed on weekends until the end of May and for 7 consecutive weeks non-essential stores were closed in France.

In April 2021, in collaboration with Humanitas Gradenigo Hospital, a vaccination site was set up at Turin's BasicVillage, which enabled the Group's employees, collaborators and their families to get their first and second doses of the vaccine. At its peak, this site provided about 800 doses per day.

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

In February 2021, the company K-Way S.p.A. was established in Milan, with the objective of consolidating all the Group's activities related to the brand. BasicNet therefore conferred to the company, with effect from July 1, the business unit, including the brand, models, contracts, warehouses and all of the Business System related activities; BasicItalia simultaneously approved the spin-off in favour of K-Way S.p.A. of the business unit concerning the commercial license, including the activities and sales personnel of the K-Way brand products. The transaction, which does not entail any change in the Group's ownership structure or equity structure, is designed to enable better focus on the brand.

### Agreement signed for the acquisition of 100% of K-Way France

At the end of December, the BasicNet Group and K-Way France S.a.s., the licensee of the K-Way® brand in France, where the brand was created in the middle of the 1960's, have reached an agreement for the acquisition of the entire share capital of K-Way France by the BasicNet Group through a letter of intent with the shareholders of K-Way France. The transaction, which is expected to be finalised by June 30, 2022, is subject to the positive outcome of legal, tax and employment due diligence, which is expected to be completed by the first quarter of 2022.

## REGIONAL COMMERCIAL PERFORMANCES

Commercial operations focused mainly on the renewal of expiring licensing contracts. Of particular note were the new agreements for the distribution of the Kappa® brand in Africa and the licensing agreement for Italy for the distribution of watches. For K-Way®, new agreements have been signed for Hong Kong and China. Finally, for both K-Way® and Briko®, a new contract has been signed for the distribution of eyewear.

As regards sponsorship initiatives on the **European market**, we highlight for the Kappa® brand the new contracts with the French Red Star Football Club, with the Spanish Real Club Deportivo de La Coruña football club and with Venezia Football Club.

Kappa® in February became the sponsor of the e-sport team Triplo7Klan, owned by 777 ENT, the record label of the Dark Polo Gang.

Briko® was partner of the “Tour de Fans” organised by Radio DeeJay and, for the seventh consecutive year, sponsored the Bardiani CSF Faizanè team in the 104<sup>th</sup> Giro d’Italia. For the second time, Briko® was an official sponsor of the Colnago Cycling Festival in Desenzano del Garda (Brescia).

The Italian surf champion Leonardo Fioravanti became the Sebago® representative for the Docksides spring-summer digital campaign.

The global digital spring-summer campaign #KeepPerforming of the Kappa® brand in Europe was represented in Italy by Hell Raton, a group of “Fiorentina Femminile” athletes and the Italian rapper Emis Killa, featuring also in the maxi-billboard campaign in Milan; in France by the rapper Seb la Frite and the YouTuber Brisco; while in Spain the rapper Kidd Keo was the representative. For the UK, it featured football freestyler Liran Santos, dancer and activist Kate Stanforth, basketball star Kornelijus Budrys, breakdancer Gabriel Infante, gymnast Koffi, and street magician Billy Menezes.

An identical #KeepPerforming campaign was run in Italy for the autumn-winter Kappa® collection featuring the judges of the Italian X Factor, singer and music producer Hell Raton (a.k.a. “Manuelito”), and other talents including Ernia, Shades of Banana, Unghe della Madonna, and Floriano Pellegrino.

Chiara Ferragni returned to represent the Superga® brand on Instagram, while on the German market the TV model and presenter Lena Gercke became a Superga® Ambassador for the spring-summer collection. In Milan, the tricolour K-Way® tape wrapped a nerve centre of the city with a mega-billboard of 1 square kilometre. A second K-Way® billboard campaign was run in the autumn in four key Italian cities (i.e. Milan, Turin, Rome and Naples) and at the 180 busiest stops of the Paris metro.

For Superga®, the final episode of the project “Styled by Me” was released in the fourth quarter and featured a reinterpretation on the social media channels of Alpina Vegan Leather by five up-and-coming Italian stylists: Chiara Totire, Sara Bianchini, Thais Brandao, Diletta Bonaiuti, and Giuseppina Melfi.

The Superga® Poetic collection was also presented as part of a virtual roadshow involving influencers from France, Singapore, Malaysia, Italy, Indonesia, the UK, the US, and Australia.

With regards to co-branding:

- for Superga®, a three-year agreement was signed with Miniconf, a kids and teenagers (0-16) clothing specialist, the co-lab agreement with the London fashion designer Mira Mikati renewed and the first co-branding signed with Dsquared2 for the spring-summer 2021 collection. In April, the first partnership with the Throwback brand was presented and a limited edition exclusively created for the “10 Corso Como” Milan concept store. The collaborations with the brand L’Autre Chose, based in the Marche region, and with luxury eyewear brand L.G.R. were announced in the third quarter;
- for Sebago®, whose spring-summer 2021 campaign was created by the Anglo-Chinese illustrator Fai Wang, known by his stage name Mr. SlowBoy, with the co-branding with the Dutch concept store Patta launched, in addition to that with the French “Summer” and “Novoid Plus” and with “Mini” from Madrid. In addition, the third capsule collection with the English brand Universal Works was presented, the initial collaboration with the Alanui Italian luxury brand and a co-lab with C.P. Company. For the autumn-winter season, Sebago® released one collection with the Belgian brand Bellerose with the capsule “Sebago® X Bellerose” and one with the Italian craftsmanship brand Hanami;

- Robe di Kappa® and the AS Monaco football club presented their second lifestyle collection;
- for K-Way®, which in May signed its first 100% recycled and recyclable nylon collection, launched two co-branding with the top model Mariacarla Boscono (spring-summer and autumn-winter 2021). In June, the co-lab Ice Jacket Veuve Clicquot x K-Way®, Limited Edition, was launched involving a K-Way® mini-jacket, tailor-made to wrap the bottle of the iconic Veuve Clicquot Yellow Label champagne. Limited-edition co-branding initiatives were also announced with Saint Laurent Rive Droite, in addition to the launch of the first K-Way outdoor capsule with Play Comme des Garçons, and with the Italian brands Retrosuperfuture (eyewear) in conjunction with Milan Fashion Week and LC23 (furniture) for Milan Design Week;
- the first co-branding agreements with Patta, with Zara, with the skateboard brand Palace, and with Tezenis were signed by Kappa®. In Moscow, Landscape, the first co-branding agreement with a collective of Russian artists, Kruhok, was launched in autumn.

In terms of communication and sponsorship on the **American market**, the model and influencer Hailey Bieber was again the Superga® Global Ambassador for the spring-summer and autumn-winter 2021 campaigns. There were numerous Kappa® #KeepPerforming global digital campaign testimonials: the model and athlete Lauren Wasser, the creative director Bloody Osiris, the model and lawyer Yaris Sanchez, the artist Kailand Morris and the DJ's Esta and Millie. Kappa USA also partnered with Rolling Loud, the world's largest hip-hop festival, which is held in three cities: Miami, New York, and Los Angeles. Kappa® put out three custom capsules for the occasion.

With regards to co-branding:

- for Sebago®, an agreement was signed with the Engineered Garments brand for both spring-summer and autumn-winter 2021;
- Superga® extended for the third time its collaboration with the LoveShackFancy brand;
- K-Way® launched a new co-lab with Marc Jacobs (Kids) and the first co-branding with Engineered Garments;
- Kappa® and FaZe Clan, the leading global e-gaming organisation, presented their second collection.

As regards communications, co-branding initiatives were also launched for the **Asian market**: Superga Singapore with the "Moments" line for the luxury hotel Llyd's Inn, Superga Japan with Kaptain Sunshine, the Japanese designer brand Shinsuke Kojima. Superga Malaysia and the influencer Drea Chong created their fourth collection, entitled "Seasons of Us". In the fourth quarter, the first co-lab with the Singapore bakery chain Tiong Bahru Bakery and the collaboration with the Indonesian brand Haru were launched for Superga®.

In Australia, in Sydney, Superga® presented the first organic and vegan co-lab with the fashion entrepreneur and style icon Tash Sefton.

### Group brand sales points

At December, Kappa® and Robe di Kappa® mono-brand stores and shop in shops opened by licensees globally numbered 972 (of which 113 in Italy), with Superga® mono-brand stores and shop-in-shops totalled 223 (of which 61 in Italy), and there were 67 K-Way® sales points (of which 32 in Italy) 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>	<b>FY 2021</b>	<b>FY 2020</b>	<b>Change</b>	<b>%</b>
Group Brand Aggregate Sales by the Network of commercial and productive licensees *	949,397	814,051	135,346	16.6%
Royalties and sourcing commissions	54,763	45,975	8,788	19.1%
Consolidated direct sales	241,635	213,756	27,879	13.0%
EBITDA **	44,250	19,826	24,424	123.2%
EBIT **	31,620	7,551	24,069	318.8%
Group Net Profit	20,330	8,581	11,749	136.9%
Basic earnings per share**	0.3965	0.1635	0.233	142.5%

\* *Data not audited*

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

The COVID pandemic extended to a second year in 2021. Various, sporadic measures throughout the year sought to contain the spread of the pandemic and had an impact on commercial performance, particularly in the first quarter and again towards the end of the year with the rise of the Omicron variant. Performance for 2021 was also influenced by a series of extraordinary, non-recurring events linked to COVID-19, as summarised below:

- personnel costs benefitted from social security contributions totalling Euro 1.6 million across the various countries in which the Group operates;
- overheads include non-recurring charges of Euro 320 thousand, of which Euro 68 thousand relating to sanitising costs and the purchase of personal protective equipment, and for the remainder technical consultancy, in addition to Euro 24 thousand in expenses incurred to set up the spaces for the vaccination site and Euro 88 thousand for site improvements;
- sponsorship and media investments benefitted from contract sponsorship renegotiations concluded in the previous year worth Euro 2.6 million;
- other income includes the reversal of payables for right-of-use assets following post-lockdown negotiations amounting to Euro 0.5 million, in application of the practical expedient;
- other income includes operating grants of Euro 61 thousand paid out to the Group's Swiss companies.

**Commercial and financial analysis**

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

	FY 2021		FY 2020		Change	
<i>(In Euro thousands)</i>						
<b>Aggregate Sales of Group licensees *</b>	<b>Total</b>		<b>Total</b>		<b>Total</b>	<b>%</b>
Commercial Licensees	709,616		601,961		107,655	17.9%
Productive Licensees (sourcing centers)	239,781		212,090		27,691	13.1%
<b>Total</b>	<b>949,397</b>		<b>814,051</b>		<b>135,346</b>	<b>16.6%</b>

\* *Data not audited*

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

	FY 2021		FY 2020		Change	
<i>(In Euro thousands)</i>						
<b>Aggregate Sales of Group Commercial licensees *</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Europe	482,337	68.0%	410,059	68.1%	72,278	17.6%
The Americas	96,380	13.6%	60,147	10.0%	36,233	60.2%
Asia and Oceania	51,095	7.2%	74,972	12.5	(23,877)	(31.8%)
Middle East and Africa	79,804	11.2%	56,783	9.4%	23,021	40.5%
<b>Total</b>	<b>709,616</b>	<b>100.0%</b>	<b>601,961</b>	<b>100.0%</b>	<b>107,655</b>	<b>17.9%</b>

\* *Data not audited*

and of the productive licensees:

	FY 2021		FY 2020		Change	
<i>(In Euro thousands)</i>						
<b>Aggregate Sales of the Group Productive licensees *</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>	<b>Total</b>	<b>%</b>
Europe	20,339	8.5%	17,392	8.2%	2,947	16.9%
The Americas	21,311	8.9%	14,710	6.9%	6,601	44.9%
Asia and Oceania	195,254	81.4%	177,289	83.6%	17,965	10.1%
Middle East and Africa	2,877	1.2%	2,699	1.3%	178	6.6%
<b>Total</b>	<b>239,781</b>	<b>100.0%</b>	<b>212,090</b>	<b>100.0%</b>	<b>27,691</b>	<b>13.1</b>

\* *Data not audited*

**Commercial licensee aggregate sales** of Euro 709.6 million were up 17.9%, from Euro 602 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 13.1%.

**Royalties** from commercial and productive licensees amounted to Euro 54.8 million (Euro 46.0 million in 2020, +19.1%). **Royalties** from commercial and productive licensees posted a marked increase of Euro 5.6 million compared to December 31, 2020. **Sourcing commissions** increased by Euro 3.2 million, up 24%, as the combined effect of greater order volumes by commercial licensees and the full efficacy of the new rates for **royalties** charged to productive licensees.

Overall **consolidated direct sales** were Euro 241.6 million (Euro 213.8 million in 2020).

The **contribution margin** on sales increased from the Euro 86.6 million of 2020 to Euro 98 million in 2021 as a result of an increase in direct sales (+13%) both in Italy and in Europe, while the contribution margin as a percentage remained essentially unchanged (at 40.6%), despite the growing impact of rental and transport costs.

**Other income**, in the amount of Euro 10.1 million, increased by approx. 18.5% compared to the Euro 8.5 million of 2020, due to an increase in promotional efforts (e.g. Kappa co-branding and other promotional efforts as well as signing fees from new licensees) and to greater non-operating income (Euro 1.7 million) following the conclusion of the Giacomelli procedure.

**Sponsorship and media** spend of Euro 36.2 million compares to Euro 38.3 million in the previous year. The decrease in the year is substantially attributable to the renegotiation/expiration of technical sponsorship contracts for the 2020/21 sports season, net of new sponsorships (ACF Fiorentina).

**Personnel costs** went from Euro 28.9 million in 2020 to Euro 31 million in 2021, an increase of approx. Euro 2.1 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. The average number of employees in 2021 was 876.

**Overhead costs**, i.e. **Selling and general and administrative costs and royalties expenses**, decreased by Euro 2.8 million, from Euro 54.1 million in 2020 to Euro 51.3 million in 2021. The change is essentially due to the fact that 2020 included a greater provision for doubtful accounts in relation to a commercial license that was terminated in advance and replaced in early 2021.

**EBITDA** stood at Euro 44.2 million (Euro 19.8 million in 2020).

**EBIT** was Euro 31.6 million after amortisation and depreciation of Euro 7 million and the depreciation of right-of-use for Euro 5.6 million.

**Consolidated net financial charges/income**, including exchange gains and losses, reported a charge of Euro 1.9 million, compared to Euro 1.7 million in the previous year.

The **consolidated pre-tax profit** was Euro 29.7 million, compared to Euro 6.8 million in 2020.

**Current and deferred taxes** in the year amounted to Euro 9.4 million. The tax charge increased Euro 11.2 million compared to the previous year, which included the net positive effect (Euro 4.5 million) deriving from the release of deferred tax liabilities on the partial realignment of the tax value of trademarks in the portfolio, pursuant to Article 110 of Legislative Decree No. 104/2020.

The **net profit** of Euro 20.3 million compares to Euro 8.6 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 54.8 million, compared to Euro 46.0 million in the previous year, while direct sales increased to Euro 241.6 million (compared to Euro 213.7 million in 2020). This performance benefitted from the reduction in restrictions aimed at containing the pandemic, despite continuing to include the effect of store closures, particularly in the first quarter of the year. The 2021 EBIT of Euro 31.7 million compares with Euro 7.4 million in 2020. The segment net profit was Euro 20.4 million in 2021, compared to Euro 8.5 million in 2020.
- ***“Property”:*** property management reported a loss of Euro 116 thousand (Euro 21 thousand in 2020). The performance for the year was affected by the ongoing work to restructure BasicVillage in Milan, which will begin making a noticeable contribution to segment profits in 2022.

Following the reorganisation described under note 48 to the consolidated financial statements, the Group has adapted segment information to better reflect the current organisational structure and business model. Figures for the previous year have been adjusted for the purposes of comparison.

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

**Balance sheet overview**

The changes in the balance sheet are reported below:

<i>(Euro thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Property	36,537	34,747	1,790
Brands	59,027	58,917	111
Non-current assets	38,328	33,690	4,638
Right-of-use	23,119	22,082	1,037
Current assets	170,779	172,592	(1,813)
<b>Total assets</b>	<b>327,789</b>	<b>322,027</b>	<b>5,762</b>
Group shareholders' equity	133,822	119,277	14,545
Non-current liabilities	72,135	73,156	(1,021)
Current liabilities	121,832	129,594	(7,762)
<b>Total liabilities and shareholders' equity</b>	<b>327,789</b>	<b>322,027</b>	<b>5,762</b>

As regards changes in fixed assets, during the year tangible assets increased due to the advancement of restructuring works on the Milan BasicVillage property complex located at the “Scalo Farini” (Euro 3.2 million), net of depreciation in the year. 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) and for the purchase of EDP and furniture and fittings (Euro 2.8 million).

Group shareholders' equity went from Euro 119.3 million in 2020 to Euro 133.8 million in 2021

**Financial position**

<i>(Euro thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Net financial position – Short-term	(2,918)	(14,678)	11,760
Financial payables – Medium-term	(34,268)	(43,709)	9,441
Finance leases	(515)	(678)	163
<b>Net financial position with banks</b>	<b>(37,702)</b>	<b>(59,065)</b>	<b>21,364</b>
Payables for rights-of-use	(24,041)	(23,097)	(944)
<b>Total net financial position</b>	<b>(61,743)</b>	<b>(82,162)</b>	<b>20,419</b>
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.46	0.69	(0.23)

*Net financial position with banks* went from net debt of Euro 59.1 million at December 31, 2020, to Euro 37.7 million at December 31, 2021. This follows the generation of cash of approx. Euro 46 million, having invested approx. Euro 10 million, paid dividends of Euro 3.1 million and acquired treasury shares of Euro 6 million.

Right-of-use payables rose approx. Euro 0.9 million compared to 2020, due to new shop openings and the renewal of expired or maturing lease contracts.

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

The Parent Company condensed income statement for 2021 compared to the previous year is reported below:

<i>(Euro thousands)</i>	<b>FY 2021</b>	<b>FY 2020</b>	<b>Change</b>	<b>%</b>
Royalties and sourcing commissions	30,131	31,215	(1,084)	(3.5%)
Direct sales and other income	9,788	11,499	(1,711)	(14.9%)
EBITDA *	10,229	8,122	2,107	25.9%
EBIT *	5,962	3,936	2,026	51.5%
Dividends from subsidiaries	-	1,098	(1,098)	(100.0%)
Transfer gains	60,903	-	60,903	100.0%
Net Profit	65,689	4,740	60,949	1,286.0%

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

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

**Royalties and sourcing commissions** of Euro 30.1 million fell 3.5% on 2020. This performance was the result of the end of royalties and sourcing commissions related to the K-Way brand as of July 1, as the related business unit was transferred to the company of the same name, as described above.

**Direct sales and other income** amounted to Euro 9.8 million (Euro 11.5 million in the previous year). Other income principally refers to payments for intercompany assistance services charged to the subsidiaries.

**EBIT** amounted to Euro 6 million (Euro 3.9 million in 2020), following amortisation and depreciation of approx. Euro 2.5 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 65.7 million, following income taxes of Euro 1 million (increasing Euro 1.7 million compared to the previous year, which included the net positive effect of Euro (1.4 million) deriving from the release of deferred tax liabilities on the partial realignment of the tax value of trademarks in the portfolio, pursuant to Article 110 of Legislative Decree No. 104/2020).

Net of this component, **net profit** was Euro 4.8 million, compared to Euro 4.7 million in 2020.

### **Balance sheet overview**

<i>(Euro thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Non-current assets	8,287	8,436	(149)
Brands	10	9,397	(9,387)
Right-of-use	8,419	10,175	(1,756)
Investments	105,855	35,805	70,050
Current assets	82,901	89,377	(6,476)
<b>Total assets</b>	<b>205,471</b>	<b>153,190</b>	<b>52,281</b>
Shareholders' Equity	147,948	91,393	56,555
Non-current liabilities	22,616	28,745	(6,129)
Current liabilities	34,907	33,052	1,855
<b>Total liabilities and shareholders' equity</b>	<b>205,471</b>	<b>153,190</b>	<b>52,281</b>

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

**Non-current assets** include investments in the year for the development of software for Euro 1.8 million, purchase of moulds and EDP for Euro 0.5 million and fixtures and fittings and other assets for Euro 0.2 million. The value of tangible and intangible assets are recorded net of amortisation and depreciation for the year of Euro 2.5 million.

**Rights-of-use** include the value of the property lease contracts for the company's offices, owned by the subsidiary BasicVillage S.p.A., for future years, recognised in 2019 in application of IFRS 16. Depreciation of the right for the year amounts to Euro 1.8 million.

**Equity investments**, which include the carrying amount of the investments directly held by the parent company, increased as a result of the transfer of the K-Way business unit to the subsidiary K-Way S.p.A. as described above.

**Shareholders' Equity** at December 31, 2021 was approx. Euro 147.9 million (Euro 91.4 million in 2020), following the distribution in 2021 of dividends for Euro 3.1 million and the acquisition of treasury shares for Euro 6 million.

### **Financial position**

<i>(Euro thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Net financial position – Short-term	(11,403)	(15,091)	3,688
Financial payables – Medium-term	(10,656)	(15,500)	4,844
Finance leases	(120)	(105)	(15)
<b>Net financial position with banks</b>	<b>(22,179)</b>	<b>(30,696)</b>	<b>8,517</b>
Group financial receivables/(payables)	57,372	66,952	(9,580)
Payables for rights-of-use	(8,441)	(10,196)	1,755
<b>Financial position with the Group</b>	<b>48,931</b>	<b>56,756</b>	<b>(7,825)</b>
<b>Total net financial position</b>	<b>26,752</b>	<b>26,060</b>	<b>692</b>

The **net cash position** of Euro 26.8 million was up from Euro 26.1 million in 2020.

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

The reconciliation at December 31, 2021 between the Parent Company net equity and result and the consolidated net equity and result is reported below.

The result for the Parent Company includes 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. As described in detail under note 41 to the separate financial statements of the Parent Company, this gain has been eliminated in its entirety at consolidated level.

<i>(Euro thousands)</i>	<b>Net Profit</b>	<b>Shareholders' Equity</b>
<b>Financial statements of BasicNet S.p.A.</b>	<b>65,689</b>	<b>147,948</b>
Result and net equity of the consolidated companies and value at equity	(45,359)	(14,126)
Elimination of the dividends received by the Parent Company	-	-
<b>Group consolidated financial statements</b>	<b>20,330</b>	<b>133,822</b>

**THE BASICNET SHARE PRICE**

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

The key stock market figures for the years 2021 and 2020 are reported in the following table:

<i>(in Euro)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Earnings/(loss) per share	0.3965	0.1635
Dividend per share <sup>(1)</sup>	0.12	0.06
Pay-out ratio <sup>(1) (2)</sup>	30.2%	36.6%
Dividend Yield <sup>(1) (3)</sup>	2.1%	1.4%
Price at year-end	5.75	4.16
Maximum price in year	6.04	4.45
Minimum price in year	3.89	3.55
Stock market capitalization (in thousands of Euro)	350,713	253,733
Total number of shares	60,993,602	60,993,602
Shares outstanding	51,275,602	52,493,602

(1) dividends on the 2021 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:

<b>Shareholder</b>	<b>% of ordinary &amp; voting share capital</b>	<b>Note</b>
Marco Boglione	33.639%	Owned indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l. (33.128%) and the remaining 0.511% directly.
BasicNet S.p.A.	16.116%	Treasury shares in portfolio.
Helikon Investments Limited	10.68%	Discretionary savings management
Francesco Boglione	6.275%	Held indirectly through Francesco Boglione S.r.l. for 1.719%, with the residual 4.556% held directly.

## PRINCIPAL RISKS AND UNCERTAINTIES

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

### Strategic risks

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

### Risks associated with economic conditions

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

### Risks associated with the COVID-19 pandemic

The spread of COVID-19 generated an unprecedented emergency on a global scale, with major health, social, and economic repercussions. The "Crisis Unit", which was set up in February 2020 in order to deal promptly with the emergency, implemented all the necessary protective measures to safeguard the health of employees and the continuity of Group operations. Against this backdrop, every possible strategy to protect the economic and financial sustainability of the Group was also adopted, including through the banking sector to secure the funding necessary to meet any cash requirement.

The duration and development of the pandemic, or other variants of Covid-19, are currently difficult to predict: this uncertainty could therefore have a negative impact on future years' results. The Group's solid balance sheet and its financial autonomy, together with the proven flexibility of its business model, mean that business continuity can be fully guaranteed.

### Licensee network operating risks

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

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

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

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

### **Risks related to BasicNet Group production**

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

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

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

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

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

### **Currency risk**

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

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

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

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

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

**Credit risk**

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

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

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

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

**Liquidity risk**

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

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

**Interest rate risk**

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

**Risks relating to legal and tax disputes**

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

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

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

*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, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. The company was requested to respond in court and the date for the first hearing is awaited.

#### *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 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. The defence panel submitted their counter-arguments to the appeal: the first hearing at the Regional Tax Commission, initially scheduled for July 2021, has been postponed until a date to be decided.

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.

The defence team is continuing talks with the offices concerned, and the next hearings, on the merits and for suspension, are set for March and May of this year.

#### *Bankruptcy dispute*

##### *Giacomelli Procedure*

In May, the Supreme Court of Cassation filed its judgement of inadmissibility of the appeal lodged by BasicItalia S.p.A. against the decision of the Bologna Court of Appeal ordering the revocation of payments made by Giacomelli Sport S.p.A. for a total of Euro 1.6 million.

The Group, whilst firmly convinced of its good faith and the correctness of its actions, as, moreover, initially asserted by the first-degree decision of the Court of Rimini, promptly initiated contacts with the lawyers of the third party assignee of the various bankruptcy arrangements of the Giacomelli procedures in order to settle the balance due. In October, following negotiations with the third party assignee, the amount due to settle the matter was determined, and payment was made for a total of Euro 1.0 million, net of the final instalment payable to BasicItalia (Euro 550 thousand).

Therefore, all matters concerning the Giacomelli Group procedures and related disputes have been settled.

## **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 4 and 5, to which reference should be made.

### ***TREASURY SHARES***

Under the treasury share buy-back program, authorised by the Shareholders' AGM of April 8, 2021, and concluding at the date of the Shareholders' AGM for the approval of the 2021 Annual Accounts, at the date of this report 1,230,000 treasury shares had been acquired (2.02% of the Share Capital) at an average price of Euro 5.05, for total consideration of Euro 6.2 million.

BasicNet today holds a total of 9,830,000 treasury shares (equal to 16.116% of the Share Capital), for an investment of Euro 31.3 million. The Group intends to continue the share buy-back programme in 2022 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](http://www.basicnet.com), to which reference should be made.

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

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

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

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

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

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

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](http://www.basicnet.com) in the section “BasicNet Corporate Governance”).

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

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

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

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

## **RESEARCH 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. BasicNet and K-Way 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. Product research costs are expensed in the year in which they generate revenues from sales, or royalties from the relative collections.

**New software development**

This category includes IT research in terms of 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 use to inform end users of their products and what sets them apart from the competition or the state of the art, as well as to advertise their products and brands. Communication and marketing contribute to brand value and drive sales by increasing brand visibility, supporting positive views or perceptions of brands and increasing customer loyalty. It follows that in order for a brand to grow in the long term, marketing must be appropriately organized so as to satisfy the needs of an increasingly large audience and to take account of multiple objectives. BasicNet S.p.A. and K-Way S.p.A. for the K-Way<sup>®</sup> 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 centred 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**

### **Acquisition of K-Way France**

The due diligence activities are continuing for the acquisition of 100% of the share capital of K-Way France S.a.s., the K-Way® licensee in France, where the brand originated in the mid-1960s. The transaction is expected to be completed within the first half of the year.

### **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. The core operating results are however subject to the global economic environment and the consequent repercussions on raw material costs and also the geopolitical crisis arising in Eastern Europe.

\* \* \*

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

Dear Shareholders,

we submit, for your deliberation, the following:

**MOTION**

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2021 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, 2021, in relation to each individual part and in its entirety.

**PROPOSAL FOR THE ALLOCATION OF NET PROFIT FOR THE YEAR 2021 AND DIVIDEND DISTRIBUTION. RESOLUTIONS THEREON.**

Dear Shareholders,

We propose the allocation of the net profit of Euro 65,689,195.35 as follows:

▪ to unrealised exchange gains reserve	Euro	46,502.66
▪ to conferment reserve	Euro	60,903,372.50
▪ to the shareholders by way of dividend, the residual amount equal to	Euro	4,739,320.19

Furthermore, in order to remunerate shareholders in line with previous years, we propose supplementing the dividend paid to shareholders by taking Euro 1,400,311.81 from retained earnings and distributing a dividend of Euro 0.12 to each of the 51,163,602 ordinary shares in circulation (excluding the 9,830,000 treasury shares held at March 3, 2022) for an amount of Euro 6,139,632.24.

As a result, "retained earnings" will decrease from Euro 44,247,428.55 to Euro 42,847,116.60.

The dividend will be paid from April 27, 2022, with record date of April 26, 2022 and coupon date (No. 15) of April 25, 2022.

We also propose authorising the company representatives, with individual signatory powers, to determine the actual amount to be taken from retained earnings based on the actual number of shares in circulation with dividend rights and on any rounding that may take place when making the actual 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 65,689,195.35, as presented above, and the proposed payment of a dividend of Euro 0.12 to each of the ordinary shares in circulation and entitled to receive dividends on the coupon date.

.

Turin, March 3, 2022

for the Board of Directors

**The Chairperson**

Marco Daniele Boglione

## CORPORATE GOVERNANCE REPORT

### 1. COMPANY PROFILE

The BasicNet Group operates in the apparel, footwear and accessories sector through the brands Kappa<sup>®</sup>, Robe di Kappa<sup>®</sup>, K-Way<sup>®</sup>, Superga<sup>®</sup>, Briko<sup>®</sup>, Jesus<sup>®</sup> Jeans, Sabelt<sup>®</sup> and Sebago<sup>®</sup>.

Group activities involve driving brand enhancement and product distribution through a global network of independent licensees. This business network is defined as the “Network”. And from which the name BasicNet derives. The Network of licensees encompasses all key markets worldwide.

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

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

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

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

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

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

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

BasicNet is defined as an SME in accordance with Article 1, paragraph 1, letter *w-quater* 1), of the CFA and Article 2 of Consob Issuers' Regulation and is included in the list published by Consob here: <http://www.consob.it/web/area-pubblica/emittenti-quotati-pmi>. Average market capitalisation in 2021 was Euro 278.6 million, thereby continuing to meet the definition of SME.

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

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

**a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a), CFA)**

The Share capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and is comprised of 60,993,602 ordinary shares listed on the MTA with a value of Euro 0.52 each.

At the date of this Report, the Company holds 9,830,000 treasury shares, equal to 16.116% of the share capital.

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

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

**b) Restriction on the transfer of shares (pursuant to Article 123-bis, paragraph 1, letter b), CFA)**

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

**c) Significant holdings (pursuant to Article 123-bis, paragraph 1, letter c), CFA)**

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

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

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

There are no shares which confer special control rights.

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

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

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

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

There is no share participation programme for employees.

**f) Voting restrictions (pursuant to Article 123-bis, paragraph 1, letter f), CFA)**

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

**g) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g), CFA)**

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

**h) Change of control clause (pursuant to Article 123-bis, paragraph 1, letter h), of the CFA) and statutory provisions on public purchase offers (pursuant to Articles 104, paragraph 1-ter and 104-bis, paragraph 1)**

The contractual conditions of the loans in place at the date of the present Report include typical clauses for such loans, such as the maintenance of some conditions concerning the holding of the majority shareholder of the Company.

Statutory provisions in relation to Takeovers

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

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

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

- Powers to increase the Share Capital

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

- **Authorisation of share buy-back plan**

The Shareholders' of April 8, 2021 approved, for a period of twelve months, or until the next Shareholders' Meeting to approve the 2021 Annual Accounts, the authorisation to purchase and utilise a maximum number of shares, which taking into account those already held by the Company, does not exceed the limits permitted by law, for a maximum expected financial commitment of Euro 10 million. As part of the treasury share buy-back programme, at the date of this Report, BasicNet S.p.A. has acquired 1,230,000 shares (equal to 2.016% of the share capital), at an average price of Euro 5.05 for a total payment of Euro 6,213,629.

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

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

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

In particular, BasicNet S.p.A. considers that it is not subject to the management and coordination of BasicWorld S.r.l., a company which holds 33.128% of the share capital, also with reference to Article 16 of the Consob Market Regulation:

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

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

#### **m) Other information**

It is noted that:

- the disclosures required by Article 123-*bis*, paragraph 1, letter i) (“the agreements between the Company and Directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer”) are contained in the Remuneration Policy and Report pursuant to Article 123-*ter* of the CFA, available on the Company's website [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp);
- the disclosures required by Article 123-*bis*, paragraph 1, letter l) (“applicable regulations concerning the appointment and replacement of Directors, in addition to the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.2) of this Report;
- the disclosures required by Article 123-*bis*, paragraph 1, letter l), second part (applicable regulations concerning the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the section of the report concerning Shareholders' Meetings (Section 13).

### 3. COMPLIANCE (pursuant to Article 123-bis, paragraph 2, letter a), CFA)

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

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

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

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

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

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

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

The subsection "The Group" includes the following information:

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

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

Neither BasicNet S.p.A. nor its strategic subsidiaries are subject to laws in force outside Italy which affect the corporate governance structure.

## 4. BOARD OF DIRECTORS

### 4.1. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors of BasicNet:

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

Within this context, the Board of Directors:

- a. examines and approves the Company and the Group's economic and financial forecasts; the enactment of the plans and the monitoring of performance are, as a rule, reviewed at the meetings called for the approval of the interim financial statements;
- b. defines the organisational structure of the companies of the Group and the corporate governance system of BasicNet;
- c. monitors business risks. This activity, which in 2021 saw an update of the ERM model, seeks to evaluate the risk in defining the development potential of the Group over the medium/long-term; in this regard, during the Board of Directors meetings, detailed disclosure is provided on the activities carried out and upon the major operations executed by BasicNet S.p.A. and the Group companies. The Board examines and approves operations of the Company and its subsidiaries, when such operations have a significant impact on strategy, on financial performance and standing for the Group as a whole.
- d. assesses the adequacy of the Company's organisational, administrative and accounting structure, following consultation with the Internal Audit function and the Control and Risks Committee on the suitability and adequacy of the Internal Control and Risk Management System;
- e. assigns and revokes the delegation of powers to the Chief Executive Officer, establishing the limits and manner of exercising such power and the frequency, normally not less than quarterly, with which the Executive Boards must report to the Board on the exercise of the powers conferred, in accordance with Article 13 of the Company By-Laws;
- f. assesses the general operational performance, taking into account, in particular, the information received from executive boards, as well as periodically comparing the results with the budgets;
- g. by adopting procedures for the handling of inside information, defined the management of the internal and external publication of inside information and documentation concerning BasicNet and its strategic subsidiaries. In addition to the companies BasicTrademark S.r.l. owner of the brands Kappa® and Robe di Kappa® brands, Jesus® Jeans, Superga® and Briko® and Tos S.r.l., owner of the Sebago® brand, those identified as strategic are: BasicItalia S.p.A., the Group's Italian licensee of the brands indicated above and BasicRetail S.r.l., manager of the retail business and Kappa Europe S.a.s., subsidiary of BasicItalia S.p.A. and the holding of a group of companies that hold licenses for the Kappa® brands in France, the UK, Switzerland, Spain and Portugal. In addition to these, there are the newly established K-Way S.p.A. and its subsidiaries, K-Way Retail S.r.l. and K-WayRetail SUISSE S.A. which develop and distribute the brand of the same name, as well as BasicVillage S.p.A., which provides property management services for the Group.

In 2021, the Board:

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

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

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

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

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

The procedure for appointment as per Article 13 provides:

- the filing, at the registered office of the Company, within the terms required by regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personal and professional details of the candidates;
- that the minority shareholders that either alone, or together with other shareholders, holding voting rights not lower than that required by current regulations, will be reserved the appointment of one Director. For 2022, as in previous years, this percentage was set at 4.5% (Consob Executive Resolution No. 60 of January 28, 2022);

- that the procedure for electing the Directors shall be as follows: i) from the slate which obtained the highest number of votes, based on the progressive order with which they are listed in the slate, all the members necessary are elected to fill the number of Directors established for the Shareholders' Meeting, while ensuring the gender balance provisions are complied with, except one; ii) from the slate which obtained in the Shareholders' Meeting the second highest number of votes one member is elected of the Board of Directors as the first candidate on this slate;
- consideration is not taken of the slates which have not obtained at least the number required by the Company By-Laws for the presentation of the slates;
- should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting is taken to decide between them with the candidate being elected through a simple majority of the votes. In the case of presentation of only one slate, or in the case of no slate presented, the Shareholders' Meeting deliberates in accordance with the statutory majority.

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

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

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

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

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

- (\*) The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of BasicNet S.p.A..
- (\*\*) This column indicates whether the slate for each Director is selected from a “majority” slate” - “M”, or a “minority” slate - “m”.
- (\*\*\*) This column indicates the number of offices a Director or Statutory Auditor holds in other listed companies or large enterprises. The Corporate Governance Report indicates all offices held.
- (\*\*\*\*) This column indicates the number of Board meetings attended by each Director, compared with the total number of meetings held during the year.

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

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

### **Diversity policies**

At its meeting on March 3, 2022, BasicNet's Board of Directors voted not to adopt any additional diversity policies beyond those required by law, given that:

- application of the new rules and regulations and the statutory provisions guarantee a sufficiently broad diversity profile within the administration and control boards;
- the minority and majority Shareholders submit the slates for the appointment of the Directors, giving preference to the professional profiles that they deem to be most suitable for the Board, irrespective of gender considerations, which are usually taken into account.

In relation to the seniority of the outgoing Board of Directors, 43% of its members are between 30 and 50 years of age (8% in its previous composition), while 57% of members are over 50 years of age (92% in its previous composition).

BasicNet has not adopted any measures to promote equal treatment and gender equality within the corporate boards, since no difference in treatment relating to gender (considering equivalent roles and seniority) or in the composition of the Group's workforce (864 personnel, 570 women, 294 men) is evident.

### **Maximum number of offices held in other companies**

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

### **Induction Programme**

The Directors, in practice, have the facility to participate in meetings subsequent to their appointment and during their mandate with the Chairperson and Management, in order to improve their understanding of the organisational structure and corporate processes and to ensure that they remain informed regarding corporate affairs and developments. They also continually have access to financial and operational information from the BasicManagement portal.

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

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

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

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

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

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

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

The documentation concerning the matters under discussion was made available in advance to the Directors and Statutory Auditors. Since 2019, a dedicated section called "My Documents" has been set up on the corporate website where documents are uploaded for discussion on Agenda items. In accordance with the Code, the Board of Directors, considering the operating dynamics of the Company and the Group, identified the period of two days as appropriate for the sending of preliminary meeting material, except in the cases of urgency, in which case the documentation shall be made available and adequately presented during the meeting. The aforementioned deadline for Board meetings was generally met in 2021.

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

In January 2022, the Company published its financial calendar, which established the days for the five Board meetings for 2022, for the review of the preliminary results, the approval of the 2021 separate and consolidated financial statements, the approval of the half-year report and the review of the quarterly disclosure to the market. As established by Article 82-ter of the Issuers' Regulation, BasicNet will continue to publish the quarterly results on a voluntary basis, until any differing assessment. During its meeting on October 29, 2020 and in order to provide more complete and timely disclosure, the Board of Directors decided to combine its quarterly reporting on commercial performance with market disclosure regarding movements in its main operating and financial performance indicators, which are constantly monitored by the Group. The quarterly disclosure shall be published in a press release to be issued on conclusion of the Board of Directors' meetings called to approve the above results.

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

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

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

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

The Chairperson ensures that the handling of each matter on the Agenda is allocated the necessary time to ensure constructive debate, considering debate among the Board as useful for the motions to be considered, including by providing information prior to the meeting. The Chairperson also ensures the efficacy of the Agenda of Board meetings, adapting the length of discussion to the importance of the items to be discussed.

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

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

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

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

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

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

## **4.6. EXECUTIVE DIRECTORS**

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

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

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

The Board of Directors meeting of April 19, 2019 delegated to the Chairperson all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 4 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 5 million with reference to the annual cost of sponsorship contracts and financial debt transactions with a value within a limit of 60% of the consolidated equity of the Company, and Euro 4 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies).

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

At the same meeting, the Board of Directors delegated:

- to the Chief Executive Officer, Federico Trono, all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 3 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 3.5 million with reference to the annual cost of sponsorship contracts and financial debt transactions with a value within a limit of 50% of the consolidated net equity of the Company, and Euro 3 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies).
- to the Director Paola Bruschi, as Group Finance Director, the role of Executive Officer for Financial Reporting, and powers for the administrative and financial management of the Company.
- see paragraph 6 below for information concerning the appointment of the internal Board committees.

*Executive Committee (pursuant to Article 123-bis, paragraph 2, letter d), CFA)*

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

*Reporting to the Board*

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

**Other Executive Directors**

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

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

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

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

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

The Board of Directors meeting of March 3, 2022 assessed, on the basis of their declarations, the independence of the Directors Cristiano Fiorio, Renate Hendlmeier, Adriano Marconetto and Elisa Corghi. The Director Adriano Marconetto considered that his holding of the position since 2007 and therefore for more than nine years does not affect his independence. To underline this, Director Marconetto pointed out that at no point did he receive remuneration that was different to the remuneration of Non-Executive Directors, or any other remuneration from BasicNet or Group companies, and he did not provide any type of consultancy activity, even free of charge. He has never held BasicNet shares or shareholdings in Group companies and has always critically exercised his vote independently of and unrelated to interests other than purely company ones.

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

As stated in the report to the Shareholders' AGM called for the approval of 2021 Annual Accounts, the Board of Statutory Auditors has verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

### **Lead Independent Director**

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

## **5. MANAGEMENT OF CORPORATE INFORMATION**

The Board approved the procedure for the handling of confidential information, subsequently updated with the regulations on Market Abuse. The policy was updated on February 9, 2018, incorporating the Guidelines upon the management of inside information published by Consob in October 2017.

This procedure contains the regulations for the internal management and external communication of confidential documents and inside information, for the management of delayed disclosure, in addition to the setting up and management, based on a specific IT procedure, of the Register for persons with access to insider information and a Register of persons possessing "relevant information".

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

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

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

## **6. INTERNAL COMMITTEES TO THE BOARD (pursuant to Article 123-bis, paragraph 2, letter d) CFA)**

The Board meeting of April 19, 2019 appointed the Remuneration Committee and the Internal Control and Risks Committee. The Control and Risks Committee also continue to act as the Related Party Transactions Committee.

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

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

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

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

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

**KEY**

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

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

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

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

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

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

**8. DIRECTORS' REMUNERATION - REMUNERATION COMMITTEE****8.1. REMUNERATION OF DIRECTORS****Remuneration Policy**

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

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

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

The Remuneration Policy adopted for the corporate boards requires the Shareholders' Meeting to approve the annual remuneration of all Board of Directors and Statutory Auditors members; the remuneration of the Senior Directors and the members of the Internal Board Committees is determined by the Board of Directors, pursuant to Article 2389 of the Civil Code, on the proposal of the Remuneration Committee and considering the advice (where necessary) of the Related Parties Committee, having heard the opinion of the Board of Statutory Auditors. The compensation of Senior Executives is proposed by the Chairperson and submitted to the Board of Directors for approval, after consultation with the Remuneration Committee. Finally, the Remuneration Committee and the Related Parties Committee shall intervene in cases where the allocation of remuneration does not comply with, but deviates from, the Remuneration Policy most recently approved by the Shareholders' Meeting.

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

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

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

No stock option plans have been established for Directors.

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

#### **Indemnity of the Directors in case of dismissal and termination of employment following a public tender offer (pursuant to Article 123-bis, paragraph 1, letter i) of the CFA)**

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

## 8.2. REMUNERATION COMMITTEE

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

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

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

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

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

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

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

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

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

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

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

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

## 9.1 CHIEF EXECUTIVE OFFICER

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

## 9.2 INTERNAL AUDIT MANAGER

The task of verifying the operation and suitability of the Internal Control and Risk Management System is entrusted to the Internal Audit Manager. In particular, considering that some departments are centralised at the Parent Company, this department contributes to the verification of the correctness and functioning of the reporting process from the strategic subsidiary companies, as well as to the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments. On appointment, the Board determined the remuneration for this office, considered in line with the structure of the Group.

The Internal Audit Manager, who does not report to any operating department, has access to all information considered necessary to carry out the role. S/he reports on his/her activities to the Board of Directors, the Control and Risks Committee and the Board of Statutory Auditors, to which the periodic reports are addressed, and at Committee meetings.

Control activities are carried out on the basis of the annual audit plan approved by the Board of Directors, which is risk-based in nature, and verification activities are also carried out through an online reporting tool available on the corporate portal. This report constitutes an important monitoring instrument in real-time of the accounting activities and business performance: the data is available for each Group company and analysed by individual account item.

Internal Audit assesses the adequacy of the IT systems and the reliability of information available in view of the complexity of the operating environment, the size and the territorial reach of the company and verifies the adequacy of the organisational processes adopted by the Company for the security of the IT system. S/he collaborates with the other actors involved in issues of compliance and risk management, in order to monitor the exposure level and vulnerability of the Company to risks. The Internal Audit function was entrusted to an external company (Progesa S.a.s.), assisted by support activities that focused on process design. The activities were outsourced as it was considered that the head of the company, who has already undertaken work within the Group, possesses the necessary attributes to undertake such work efficiently on an independent and professional basis.

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

## 9.3. CONTROL AND RISKS COMMITTEE

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

The Control and Risks Committee was appointed at the Board meeting of April 19, 2019. The Committee is composed of four Independent Directors: Renate Hendlmeier (Chairperson), Elisa Corghi, Cristiano Fiorio, appointed at the Board of Directors meeting of July 25, 2019, and Adriano Marconetto. The Board deems that the members have adequate expertise in the Company's business sector in order to assess related risks, and in accounting and finance and risk management.

*Duties attributed to the Internal Control and Risks Committee*

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

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

- conducted evaluations regarding corporate governance issues, such as the review of certain principles and recommendations of the Corporate Governance Code approved by the Corporate Governance Committee and the independence of the Data Controller;
- encouraged the definition of a structured risk management model that would develop the models and framework already adopted by the Group; periodically met with the Group's appointed consultant and formulated recommendations for the consolidation and strengthening of the process to identify, assess and manage risks related to the Group's expansion and increasingly complex structure;
- met periodically with the Internal Audit Manager, reviewed the Internal Audit Plan and periodic reports on the implementation of the plan and the suitability of the Internal Control and Risk Management System, as set out above;
- examined the reports submitted to the Board of Directors by the Supervisory Board and acknowledged the evaluations expressed with regard to updating the 231 Model, the absence of censurable events or violations of the Organisational Model or of the provisions contained in Legislative Decree No. 231/2001; acknowledged the adoption and compliance of the protocols regarding occupational health and safety in relation to the COVID emergency;
- carried out the activities within its remit relating to financial disclosure as regards the Financial Statements at December 31, 2021, with a meeting of the Executive Officer for Financial Reporting and the independent audit firm in the presence of the Board of Statutory Auditors. This sought to assess the correct use and uniformity of the accounting standards adopted in preparing the financial statements and the consolidated financial statements for 2021, expressing a favourable opinion on approval of the accounting documents to the Board of Directors;
- reviewed, with the support of consultants, the materiality analysis performed by the Company to identify material information provided in the 2021 Consolidated Non-Financial Report, reviewed the 2021 Consolidated Non-Financial Report, making recommendations and rendering a favourable opinion on the Board's approval of the Consolidated Non-Financial Report;
- monitored compliance with the Related Parties Procedure and the framework agreements governing the relationships with related parties, by expressing reasoned opinions on the proposals submitted to the Committee during the year: (i) definition of the framework agreement for the year 2022 and acknowledgement of the signing of the related agreement with the firm Pavesio ed Associati with Negri Clementi; (ii) recognition of a one-off bonus to the Executive Chairperson of the Company and (iii) proposal for the recognition of a one-off bonus to the Chief Executive

Officer of BasicNet S.p.A., Mr. Federico Trono, being able to examine the outcome of a benchmarking analysis produced by Mercer; (iv) issue of an opinion on the remuneration proposal to Messrs. Lorenzo Boglione and Alessandro Boglione for their role as Chief Executive Officers of the newly-established strategic company K-Way S.p.A.; (v) issue of an opinion on a purchase/sale that may be considered a less significant related party transaction.

- noted that no support was requested from the Committee by the Board of Directors for prejudicial events in 2021;
- prepared the half-yearly and annual reports of the Control and Risks Committee and periodically reported on the outcome of its activities to the Board of Directors, considering, on the basis and within the limits of the activities carried out, the reports of the Internal Audit Manager, the exchanges of information with the Board of Statutory Auditors and the independent audit firm, that no indicators had emerged that would suggest that the Internal Control and Risk Management System was not adequate, and inviting the Board of Directors to consider strengthening the control functions in order to maintain the effectiveness of the process of identifying, monitoring and managing risks in the context of the Group's more complex structure.

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

The Board of Directors at the meeting of April 19, 2019 appointed the members of the Supervisory Board. The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates. The Supervisory Board reports on at least a half-yearly basis to the Control and Risks Committee and to the Board of Statutory Auditors.

As part of the Internal Control and Risk Management System, the Parent Company BasicNet S.p.A. and BasicItalia S.p.A. have adopted an “Organisation and management model as per Legislative Decree No. 231/2001” (hereinafter also the “231 Model”), which is continually updated in line with the introduction of new offences under the framework regulation.

The provisions of the Model complete the Group Ethics Code and the Sourcing Centers Ethics Code, which set out the rules and ethical responsibilities for the conducting of business and relations between the Company and the various interest holders.

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

In preparing the Model, account was taken of the existing and operating control systems and policies at the Company and considered an integral part of the Model: the Internal Dealing Code and the Related Party Transactions Policy. The model, continually evolving, integrates and strengthens the corporate control system through the preparation and continual updating of the related procedures. It also provides for a disciplinary system which appropriately sanctions non-compliance with the measures and principles contained in the above-stated documents.

The Organisational Model was most recently updated in 2020 to introduce new crime provisions, specifically: tax crimes, crimes against the Public Administration (expanding the range of crimes against the Public Administration provided for by Article 24 of Legislative Decree No. 231) and smuggling offences. The structure of the Model has also been modified to include a special section designed to make the Model more user-friendly. This is achieved by indicating the behavioural principles to be adopted in order to avoid committing the offences identified as those to which the Company is most susceptible.

The SB met four times in 2021 and supplemented its activities with oversight of compliance with health regulations for worker safety in the context of the COVID-19 pandemic.

#### **Ethics Code**

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

In 2021, 39 hours of training were provided with regards to the receipt and application of the Ethics Code, both through classroom and e-Learning platform training, for 104 participants, of which 102 white-collar and 2 blue-collar employees.

The BasicNet Group Ethics Code was updated and approved, in its latest version, by the Board of Directors at the meeting of October 2017. The Code is designed to control the conduct of the addressees, identified as the members of the Boards of Directors and Boards of Statutory Auditors, in addition to all BasicNet Group personnel, collaborators and consultants, suppliers and all others acting in the performance of name of and/or on behalf of the BasicNet Group.

As reported in this document, the BasicNet Group, in pursuing its objectives, considers a number of conduct principles as critical, including:

- a commitment to internally and externally comply with the laws applicable in the states in which operations are carried out, in addition to the ethical principles of transparency, correctness and fairness in the conducting of business;
- to refrain from illegal or improper conduct (against the community, the public authorities, clients, personnel, investors and competitors) in the pursuit of business objectives;
- to establish organisational tools to prevent the violation of the principles of legality, transparency, correctness and fairness by personnel and collaborators and oversee compliance with these principles;
- to assure the market, investors and the community in general, while protecting the competitiveness of the respective businesses, of full transparency in operations;
- to commit to the promotion of fair competition in support of its interest and that of all market operators and the stakeholders in general;
- to pursue excellence and market competitiveness, offering clients high quality services which efficiently meet their demands;
- to protect and support personnel;
- to responsibly employ resources with a view to sustainable development, respect for the environment and the rights of future generations;
- to protect workplace health and safety conditions and consider human rights as a fundamental aspect of business activity.

The Group does not justify in any way the adoption of conduct conflicting with law and these principles.

In this regard, the Supervisory Board oversees compliance with the Ethics Code, promptly reporting to the Control and Risks Committee and the Board of Directors any violations thereof. All stakeholders may report in writing and anonymously any violation or suspected violation of the Ethics Code to the Supervisory Board. Substantiated violations of the principles of the Ethics Code will result in sanctions.

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

### **Sourcing Centers Ethics Code**

The Sourcing Centers Ethics Code is a document that establishes the minimum requirements for the working conditions that must be met by all Sourcing Centers selected by the BasicNet Group or by affiliated companies. The Group undertakes to ensure that each stage of the production chain fully complies with the principles and conditions of the Ethics Code. Sourcing Centers are therefore at all times held accountable for suppliers' full compliance with the principles of the Ethics Code.

Through the Code, BasicNet encourages its business partners to adopt the highest international standards of ethics and best practices in business. Respect for human rights and international labour standards – including the fundamental conventions of the International Labour Organization and the Universal Declaration of Human Rights – were taken as an inspiration and foundation, and many of the guidelines included in the Ethics Code were based on them. BasicNet reserves the right to stop doing business with Sourcing Centers that are incapable of complying – or reluctant to do so – with the principles and conditions enshrined in the Ethics Code.

The principles cited in the Sourcing Centers Ethics Code include:

- a ban on the use by Sourcing Centers of child labour under the age of 15 and an incentive for them to verify the age of their workers, keep proof of such verification and comply with all laws and regulations governing working hours and general labour conditions;
- a ban on the use by Sourcing Centers of involuntary labour, defined as work or service done by any person under threat, subject to penalty in the event of non-compliance, where a worker does not offer service voluntarily, a category that includes mandatory, forced prison labour under a binding contract;
- a ban on the use by Sourcing Centers of corporal punishment or any other form of intimidation or physical or mental coercion of its workers;
- a requirement that Sourcing Centers comply with all laws and regulations applicable to the conduct of their business, including the principles set out above. All references to “applicable laws and regulations” in the Code of Conduct extend to national and local codes, rules and regulations, as well as to voluntary treaties relevant to the sector.

Other principles enunciated in the Sourcing Centers Ethics Code must comply include non-discrimination, the protection of health and safety, environmental protection and freedom of association. BasicNet is committed to full and complete compliance with laws and regulations applicable to its business activity and expects that Sourcing Centers will cooperate fully and with due diligence in fulfilling this pledge.

To guarantee awareness of the Ethics Code, Sourcing Centers are required to take appropriate measures to ensure that workers familiarise themselves with the contents of the Code of Conduct and to post the Code of Conduct, translated into the workers' local language, at each production facility in a highly visible location readily accessible to all workers. Sourcing Centers are also required to select their suppliers carefully and only to do business with suppliers that ensure respect for human rights and full compliance with the principles enshrined in the Ethics Code. To ensure compliance, BasicNet is authorised to audit Sourcing Centers by conducting scheduled or unscheduled inspections of Sourcing Centers' facilities aimed at monitoring compliance with the Ethics Code. During such inspections, BasicNet and its representatives may examine books and registers relating to employees and conduct private interviews of the Sourcing Center's employees. If a violation is found to have been committed, BasicNet and the Sourcing Center are required to agree on a Corrective Action Plan aimed at remedying the violation promptly. If a Sourcing Center commits repeated and/or deliberate violations of the Ethics Code, BasicNet may take the necessary corrective measures, up to and including the cancellation of orders and/or termination of business arrangements with the Sourcing Center concerned.

### **Conflicts of interest and prevention of bribery and corruption**

The Group has implemented a Legislative Decree No. 231/2001 Organisation Model and specific internal procedures to establish ethical rules and responsibilities in the conduct of its business and in dealings with its various stakeholders (there are, for example, specific procedures for proper management of dealings with the public administration). In particular, operations are governed by

procedures organised in a way that ensures that there is effective oversight by the individual company units (“com”) concerned. In particular, the Group always ensures clear, transparent and ethical relations with the public administration, in Italy and internationally. As stated in the Ethics Code, addressees of the Code should refrain from improperly influencing the decisions of the Public Administration by offering money or other benefits, such as employment or commercial opportunities in favour of public officials or those providing a public service, in addition to their family members. The Group companies may not provide direct or indirect contributions of any type, nor set up funds in support of public officials, except where permitted and in accordance with applicable law and regulations and on the condition that (i) they are properly approved by the competent company functions, (ii) they are properly documented from an accounting and operating viewpoint, (iii) they do not put anyone in a position of conflict of interest. Untruthful statements may not be made to national or EU public bodies for the awarding of public funds, public grants or subsidised financing, or to obtain concessions, permits, licenses or other administrative acts. The direction of funds received from national or EU authorities as disbursements, contributions or financing for objectives other than those intended is forbidden. The altering of computer or IT systems or the manipulation of data contained therein in order to obtain unjust profit and causing damage to the Public Administration is prohibited. In commercial relations with the Public Administration, including participation in public tenders, conduct should always be in compliance with law and proper commercial practice, while conduct which is undertaken to induce the committal of an offence in seeking advantage for the Group is expressly prohibited.

The financial reports, financial statements and corporate communications required by law and regulations should be prepared with clarity and present a true and fair view of the Group company financial statements. No payments (in any form) may be made in the interest of the Group in the absence of corresponding adequate documentation. Related party transactions, including inter-Company transactions, should comply with the criteria of substantial and procedural correctness. Those undertaking transactions in conflict of interest are required to report such to their superior or in accordance with that set out in the adopted procedures. The internal control system concerns the control activities undertaken to protect company assets, effectively manage operations and clearly provide information on the Group financial statements, in addition to those activities undertaken to identify and contain company risks.

In addition, the Company operates in compliance with applicable anti-money laundering regulations and the provisions issued by the Competent Authorities and for such purposes commits to refraining from undertaking suspect transactions from a correctness and transparency viewpoint.

As part of its efforts to prevent acts of bribery or corruption committed by or targeting Group personnel, the Group complies scrupulously with Italian and international legislation and has adopted a Legislative Decree No. 231/2001 Organisation Model that establishes the general principles of the fight against bribery and corruption. All company activities and units are subject to the controls and verification relating to bribery and corruption mandated by the 231 Model.

Following the enactment of the new offence of “corruption between individuals” punished under paragraph three of Article 2635 of the Civil Code, the Supervisory Board decided to modify the Legislative Decree No. 231/2001 Organisation Model so that management of the sales process was considered to be one of the Group's “sensitive” activities, especially as regards:

- authorisation powers within the process;
- setting the price of sale;
- setting payment conditions and terms;
- setting client discounts;
- managing the tills of directly operated stores;
- managing returns.

Training in matters relating to Legislative Decree No. 231/2001 – which also extended to anti-corruption policies and procedures – was carried out through 102.5 hours of training in 2021, involving 175 participants, of which 2 Executive and 169 white-collar workers and 4 blue-collar workers, all based in Italy.

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

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

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

#### 9.5 INDEPENDENT AUDIT FIRM

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

The proposal to the Shareholders' Meeting regarding the new appointments, in accordance with Legislative Decree No. 135 of July 17, 2016 and Regulation (EC) No. 537/2014, included, on the outcome of a selection process created and carried out by the Company, the recommendation and the preference expressed by the Board of Statutory Auditors.

#### 9.6 EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The Board meeting of April 19, 2019 appointed Director Paola Bruschi, Group Finance Director, as the Executive Officer for Financial Reporting for three years, with the favourable opinion of the Board of Statutory Auditors. Paola Bruschi possesses many years of experience in the administrative, financial and control areas, as well as the qualifications required by law for the holding of the office of Director.

In undertaking her duties, Paola Bruschi has the power to approve the corporate procedures impacting upon the financial statements, on the consolidated financial statements and on other documents which may be audited, and may participate in the design of the IT systems which impact upon the financial position of the company; she may develop an adequate organisational structure to undertake her activities, utilising internal resources available and, where necessary, outsourcing; she may also, where necessary, utilise the financial resources of the company, providing adequate information to the Board of Directors, and she may utilise the Internal Audit department for the mapping and analysis of processes and to carry out specific checks.

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

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

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

The information generated within the internal control system called BasicManagement and risk management shared on the web in a dedicated operating control section. The meetings of the Control and Risks Committee, usually attended by the CFO, the Internal Audit Manager, a member of the Supervisory Board, the Board of Statutory Auditors, and by the independent audit firm, as per the attendance described in the minutes, also provide an opportunity for the parties involved in the system to meet and coordinate.

*Control and Risk Management System in relation to the financial reporting process (pursuant to Article 123-bis, paragraph 2, letter b), of the CFA)*

### 1) Introduction

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

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

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

### 2) Description of the principal characteristics of the Internal Control and Risk Management System in place in relation to financial disclosure.

The System provides for:

- a set of rules and procedures for the preparation of financial statements and monthly reporting and a financial calendar for an efficient exchange of information between the Parent Company and its subsidiaries;
- an identification and assessment process of the major Group companies and of the principal company processes for the preparation of the income statement and balance sheet, through qualitative and quantitative analysis;
- a process of identification and evaluation of the principal risks of errors of the accounting and financial information, based on a control process, implemented on a company web platform with levels of protected access, which flags any errors;

- a process of periodic evaluation of the adequacy and effective application of controls. The Internal Control and Risk Management System relating to financial reporting is coordinated and managed by the Executive Officer for Financial Reporting, in concert with the Internal Audit department, for the verification of control system operations.

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

## 10. DIRECTORS INTERESTS AND RELATED PARTY TRANSACTIONS

The Board of Directors, in accordance with Consob Regulation No. 17221 of March 12, 2010 adopted, with the favourable opinion of the Independent Directors, the Related Party Transactions Policy. The procedure was subsequently updated in October 2016 in order to be more flexible, over time, to differing organisational features and the size of the Company and most recently in June 2021 to update the provisions introduced by Consob Regulation.

BasicNet is identified, for the purposes of the Consob Regulation incorporating related party transaction provisions, as a “smaller company” (companies presenting both assets written to the balance sheet and revenues as per the last approved consolidated financial statements not in excess of Euro 500 million) and, therefore, utilises a simplified system for the approval of significant transactions whereby the rules for the approval of less significant transactions are applied.

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

In general, exempted from the procedure, in addition to all the matters expressly indicated by the Related Party Regulation issued by Consob, are minor transactions (amounts not above Euro 150 thousand for natural persons and Euro 200 thousand for legal persons), provided they are undertaken at market or standard conditions within the ordinary transactions of the business and of the related financial activities; the operations concluded with or between subsidiaries, including joint ventures, by BasicNet, provided in the subsidiary companies there are no counterparties in the operation that have interests, qualified as significant, of other related parties of the Company; the transactions with associates provided that the associated company counterparties in the transaction do not have interests, qualified as significant, of other related parties of the Company.

Significant interest is not considered to exist by the mere sharing of one or more Directors or one or more Senior Executives between BasicNet and its subsidiaries.

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

The procedure is available on the Company’s website:  
[www.basicnet.com/contenuti/corporate/particorrelate.asp](http://www.basicnet.com/contenuti/corporate/particorrelate.asp)

## 11 APPOINTMENT OF STATUTORY AUDITORS

### 11.1 APPOINTMENT AND REPLACEMENT

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

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

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

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

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

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

Each shareholder, in addition to shareholders belonging to the same group, in accordance with Article 2359 of the Civil Code and the parties belonging to, also through subsidiaries, a shareholder agreement in accordance with Article 122 of Legislative Decree No. 58 of February 24, 1998, may not present, nor vote upon, nor through nominees of trust companies, more than one slate. Should this rule be violated, the shareholder's vote for any of the slates submitted shall be disregarded.

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

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

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

- the research, developments, styling, production and sale of products and services, in particular textile products, clothing, footwear, eyewear, leatherwear, sporting equipment and goods, in addition to accessories for these sectors;
- the management and development of brands.

The areas closely related to the Company's sector are:

- industrial, commercial and tax law, in addition to economics and business, accountancy and corporate finance.

The slates, accompanied by exhaustive disclosure on the personal and professional characteristics of the candidates, with indication of the presenting shareholders and the overall share capital percentage held, in addition to the declaration of shareholders other than those who hold, also jointly, a controlling or relative majority holding, declaring the absence of connecting relationships as per the applicable regulations, with these latter, must be filed at the registered office of the Company by the deadline established by applicable legislative and regulatory provisions.

Together with each slate, within the regulatory and legally established timeframe, a declaration in which the individual candidates accept their candidature, must be filed at the Company's registered office, stating under their own responsibility, the inexistence of reasons for ineligibility and incompatibility, as well as the existence of the requisites for the respective assignments, in addition to those required for directorships held in other companies.

Slates presented that do not comply with all of the above formalities are considered as not presented.

The procedure for electing Statutory Auditors are as follows:

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

The Chairperson of the Board of Statutory Auditors is the first candidate indicated on the slate that obtained the second highest number of votes.

In the case of parity of votes between slates, the candidates from the slate having a higher equity investment are elected or, subordinately, with the greater number of shareholders.

In the case of presentation of only one slate, all candidates will be taken from that slate, with the Chairperson the first listed on the slate.

Where it is not possible to proceed with the appointment according to the above system, the Shareholders' Meeting deliberates by statutory majority.

Where his/her legal requisites no longer exist, the Statutory Auditor must leave office.

In the case of the replacement of a Statutory Auditor, including the Chairperson, where possible the Alternate Auditor belonging to the same slate as the discontinuing Auditor joins the board and in the case of the replacement a Statutory Auditor elected from the Minority Slate, the first candidate on the Minority Slate receiving the second highest number of votes joins the Board in their place. In the cases in which a replacement results in non-compliance with the legally established gender balance criteria, the Board of Statutory Auditors shall be supplemented.

For the supplementation of the Board of Statutory Auditors:

- for the supplementation of the Statutory Auditors from the majority slate the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the Majority Slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;
- for the supplementation of the Statutory Auditors from the Minority Slate, including the Chairperson of the Board of Statutory Auditors, the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the Minority Slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;
- for the simultaneous supplementation of the Statutory Auditors, elected both from the Majority Slate and Minority Slate, including the Chairperson of the Board of Statutory Auditors, the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated both on the Majority Slate and on the Minority Slate, of a number of Statutory Auditors equal to the number of Auditors whose mandate concludes from the same slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions.

Where it is not possible to proceed in accordance with the previous paragraph, the Shareholders' Meeting to supplement the Board of Statutory Auditors votes according to a relative majority of the share capital represented at the Shareholders' Meeting, while ensuring that the right to representation of the minority has been complied with, in addition to the regulatory required gender balance provisions.

#### 11.2. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (pursuant to Article 123-bis, paragraph 2, letter d) CFA)

The Board of Statutory Auditors, whose mandate shall conclude with the approval of the 2021 Annual Accounts, therefore comprises:

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

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

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

\*\*\* This column indicates the attendance by Statutory Auditors at meetings of the Board of Statutory Auditors

(\*\*\*\*) This column indicates the number of offices of Director or Statutory Auditor in accordance with Article 148-bis of the CFA and the relative enacting provisions in the Consob Issuers' Regulation. The complete list of offices held is published by Consob on its website pursuant to Article 144- *quinquiesdecies* of the Consob Issuers' Regulation.

#### Diversity criteria and policies

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

#### Independence

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

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

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

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

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

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

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

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

### **Remuneration**

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

### **Management of interests**

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

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

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

## **12. RELATIONS WITH SHAREHOLDERS**

### **Access to information**

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

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

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

## Dialogue with Shareholders

The Group is cognisant of the importance that correct operational information has for the market, investors and the community in general. For this reason, in view of the transparency required for conducting business, the Group considers transparency as an objective in relations with all stakeholders. In this regard, the Group communicates with the market and investors in compliance with the criteria of correctness, clarity and equal access to information in accordance with the procedures for the management of material and inside information as approved by the Board of Directors of BasicNet.

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

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

2021 saw the continuation of communication with analysts and investors which began in 2018 with the establishment of a conference call in which the Chief Executive Officer presents the Company's periodic results to analysts and asset managers, supported by dedicated presentations. The Board of Directors also resolved to report the main income statement and balance sheet indicators on a quarterly basis in order to provide the market with timely information and greater transparency regarding the Company's performance. Meetings with individual investors also continued and were extended to include a number of Italian and overseas operators.

### 13. SHAREHOLDERS' MEETINGS (pursuant to Article 123-*bis*, paragraph 2, letter c), CFA

The Shareholders' Meetings provide opportunities to meet and communicate with the shareholders. During the Shareholders' Meetings, the Chairperson and the Chief Executive Officer provide the shareholders with all the necessary information for the undertaking of motions.

The Ordinary Shareholders' Meetings undertake their duties in accordance with Article 2364 of the Civil Code and the Extraordinary Shareholders' Meetings in accordance with Article 2365 of the Civil Code.

In accordance with Article 2365, paragraph 2 of the Civil Code, the Board of Directors was conferred the following duties:

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

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

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

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

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

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

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

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

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

14. FURTHER CORPORATE GOVERNANCE PRACTICES (pursuant to Article 123-*bis*, paragraph 2, letter a) (CFA)

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

15. CHANGES SUBSEQUENT TO THE YEAR-END

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

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

In December 2021, the letter of the Chairperson of the Corporate Governance Committee was forwarded, as required by that document, to the Chairperson, to the Chief Executive Officer and to the Chairperson of the BasicNet Board of Statutory Auditors.

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

On behalf of the Board of Directors  
**The Chairperson**

Marco Daniele Boglione

**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 2021 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 2021 that is consistent with its organizational structure (reporting period from January 1 to December 31, 2021). The 2020 Non-Financial Report was approved on March 2, 2021 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”). We also note that, following internal assessments, the risks connected with climate change are to be considered as insignificant due to the particular nature of the Group's business model.

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

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

The contents and indicators subject to reporting were selected on the basis of the materiality analysis conducted in 2021 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 2020.

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

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

The financial reporting scope is the same as for the BasicNet Group's 2021 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, 2021 and consolidated line-by-line in the Group's Consolidated Financial Statements.

It should be noted that the reorganisation of a number of Group companies has led to the creation of K-Way S.p.A. and K-WayRetail S.r.l., which, following a transfer from BasicNet and a spin-off from BasicItalia, manage all activities concerning the K-Way brand. 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.

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 2021. This information has been provided with a comparison to the previous year to permit an assessment of the performance of the activities where possible. In the interest of full understanding, an account has also been given of measures taken in previous years that still apply to the Group's activities.

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

The Non-Financial Report will be published annually.

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

This Report was approved by the Board of Directors of BasicNet S.p.A. on March 3, 2022, along with the Annual Financial Report.

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

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

As noted, since January 2020, the domestic and international picture has been dominated by the gradual spread of COVID-19 and the resulting restrictive containment measures implemented by the governments of the countries affected. BasicNet has responded promptly to the global economic and health crisis caused by COVID-19, respecting the regulations in place in the countries in which it operates. In order to protect its employees, suppliers, customers and stakeholders, the Group has promptly adopted preventive measures aimed at ensuring and managing employee health and safety in the best possible way, in addition to the well-being of its employees, and the maintenance of relations with its business partners. Against this backdrop, BasicNet established a “Crisis unit” in February 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. Monitoring of the pandemic continued in 2021, and the safety protocol was updated as required by regulations put in place to respond to the emergency.

In April 2021, in collaboration with Humanitas Gradenigo Hospital, a vaccination site was set up at Turin’s BasicVillage, which enabled the Group’s employees, collaborators and their families to get their first and second doses of the vaccine. At its peak, this site provided about 800 doses per day.

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

## 2. Sustainability for BasicNet

### 2.1 Stakeholders and materiality analysis

In its operations, BasicNet has always sought to create value for its shareholders and, more generally, all those who have a stake in the Group's business. Accordingly, as part of its pursuit of sustainability, in 2021 BasicNet updated the mapping of its main stakeholders, by conducting a thorough analysis of its business and with the participation of Group management. The goal was to identify the main groups that may be influenced by BasicNet's business, including with regard to the type of relationship with the Group in terms of dependence and influence. This mapping process – which resulted in the identification of nine main groups of stakeholders – was carried out in accordance with the international principles established by AA1000 Stakeholder Engagement Standard, AccountAbility (2015), and the GRI Sustainability Reporting Standards, 2016.

The main stakeholders include groups directly linked to business activities, such as *Group Resources, Investors, Shareholders and the Financial Community, the Public Sector, Governmental and Control Bodies and the Local Communities* in which the Group operates. Due to the specific nature of BasicNet's business system, Sourcing Centers and Licensees play a significant role. Both are commercial partners to the Group and belong to the broader category of clients and consumers (together with the stores involved in retail activities) and suppliers (a category which includes the Group's non-core suppliers of goods and services and Sourcing Centers, i.e. the core suppliers of the subsidiary BasicItalia S.p.A., K-Way S.p.A. 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 2021 the BasicNet Group promoted the internal involvement of the top management by conducting a materiality analysis – a key process to the preparation of the Non-Financial Report. This analysis identified the material topics to be reported in this document, assessing them according to the principles set out in the GRI Standards: materiality, stakeholder inclusion, completeness of information and the Group's operating context.

Given the continuity of Group business, the materiality analysis was in line with that reported in 2020 and was consistent with the indications of the reporting standard and macro sector trends. The analysis resulted in the identification of 15 material topics, divided into five general categories (*Governance and Compliance, Economic Responsibility, Responsibility in the Value Chain, Social Responsibility and Environmental Responsibility*), for each of which the main stakeholders with the greatest involvement were identified. This overview represents a fundamental tool for the Group to set its priorities with regard to sustainability and to steer the actions to be pursued in this area.

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

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

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

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

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

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

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

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

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

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

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

Also in 2021, the assessment process was conducted on all the new Sourcing Centers, 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 manufacturing unit around the world, suffered some delays due to the ongoing COVID-19 pandemic.

All units have been contacted and notified, and 174 production units had completed the questionnaire by the end of 2021 compared to 43 in 2020.

During 2021, 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.

With respect to this issue, in 2021 BasicNet joined **Golden Links**, a project with a circular approach promoted by IntesaSanpaolo, Caritas Italiana and S-Nodi and involving the Caritas diocesan and several non-profit organizations.

The programme has set the goal of distributing various commodities to needy families while allowing work paths for vulnerable women, aimed at improving their economic and social situation, and to promote the reintegration of prisoners through work. BasicNet contributed more than 16,000 sample and prototype items.

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, a restyling of the tags is underway, which will be effective as of the second half of 2022: all tags will have new codes and will be made of FSC paper, derived from recovered or recycled material.

Similar work is underway for Superga that will result in FSC paper tags and boxes starting in the second half of 2022 and the first half of 2023 for accessories.

On the other hand, the main labels of the Robe di Kappa brand will be made of recycled polyester yarn from the first half of 2022.

A specific study is underway in collaboration with Deloitte to examine the requirements of the new rules related to environmental labelling and the Plastic Tax (aimed at discouraging the use of plastic products, through a new tax that impacts "single-use plastic"), which should come into force respectively from June 2022 and January 2023, in order to correctly identify the addressees, the scope of application, the mandatory and optional information and above all the feasibility and the consequent management methods through the BasicNet platform.

The agreement continued for 2021 of **Kappa®**, **Robe di Kappa®**, **Superga®**, **K-Way®** and **Sebago®** with Green Pea, the first retail park dedicated to conscious consumption, opened in 2020 in the Lingotto area of Turin. Kappa® and Robe di Kappa® have been working to innovate the design and quality of their collections and to find sustainable products and materials for over half a century. K-Way® has created a dedicated collection for Green Pea and opts to use eco-friendly processes and materials. Superga® launched the world's first sneaker made from 100% natural materials (the 2750), and continues to perfect the art of simplicity, while Sebago® on the other hand, offers resoling, fat liquoring, lace-change and cleaning services to Green Pea customers.

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.

In parallel, the search for alternative materials continues with specific targeted offers.

#### 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.

**Sebago®**

The same philosophy applies to the Dockside Sail Project, footwear made from actual used sails. The offer of products that use partially or totally recycled materials continues for clothing, with certifications provided by the manufacturers.

**K-Way®**

There are several offers for K-Way as well. Among these, the Amiable collection in 100% recycled and recyclable nylon, obtained from fabric scraps and fishing nets through a manufacturing process that reduces greenhouse gas emissions, existing in multiple versions, including one with recycled down padding.

The products created within the RE-BORN project, on the other hand, are based on a new approach to the management of military textiles destined for disposal, which are recovered to obtain new aesthetic and functional characteristics.

**Kappa®**

Of particular note is the launch in Spain for Betis (a Spanish multi-sports club) of a game kit made from recycled fabric. The project is supported by a marketing campaign that, through green, the main colour of Betis, emphasizes the green soul of the initiative and the product.

The same brand already has a collection in 100% recycled polyester.

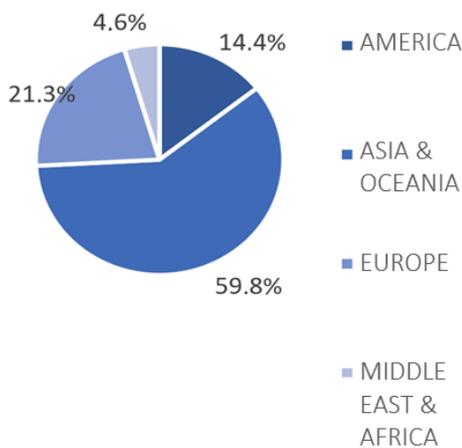
**Robe di Kappa®**

The projects on the Kid collections have started and the style of the AARAU GREEN merits attention, polo in 100% organic cotton included in the new collections.

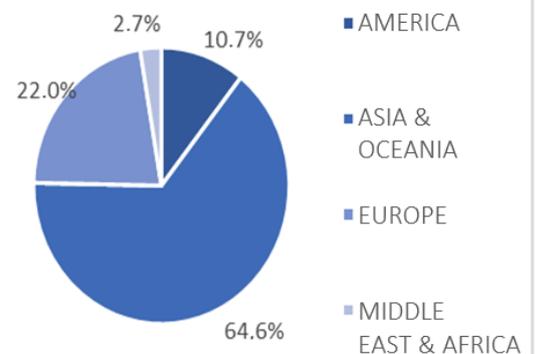
In 2021, the Group was supplied by a total of 174 sourcing centres (or 163, since some have operating units in more than one country), compared to 150 in 2020 (143 in effective terms). Their facilities are located all over the world.

The increase, 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 a better balance in the various geographical areas, and was also conditioned by the impact of the pandemic, which particularly affected some areas.

% Breakdown of Sourcing Centers by region (2021)

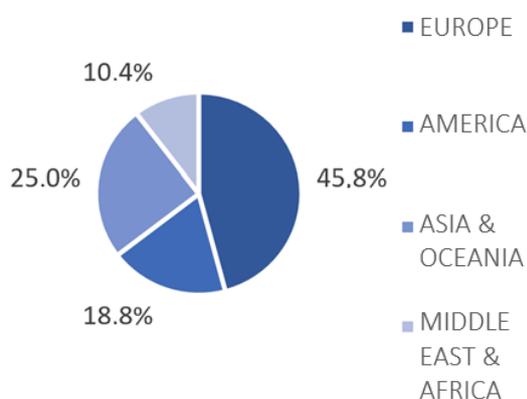


% Breakdown of Sourcing Centers by region (2020)

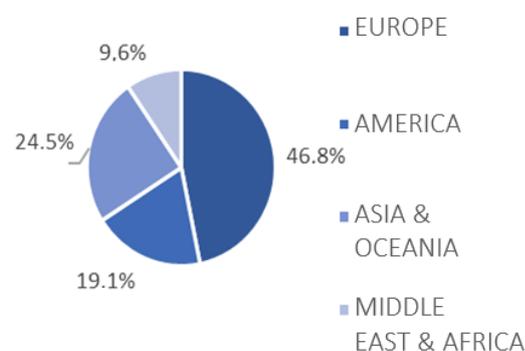


The total number of Licensees remained essentially the same: 96 Licensees were involved in 2021, which is 2 more than in FY 2020. These refer to the 2 new contracts with a start date in 2021, but with no sales during the year.

% Breakdown of Licensees by region  
(2021)



% Breakdown of Licensees by region  
(2020)



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

### 2.3 BasicNet's approach to taxation

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

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.

In continuity with the agreement stipulated for the 2015-2019 period, an application was presented to renew the "Patent Box" agreement in 2020, which allows the company to access a benefit on taxable income for the five-year period from 2020 to 2024, pursuant to the procedures defined by the reference

standard, with regards to industrial patents, legally protectable designs and models, and the use of software protected by copyright, as defined in Article 56 of Legs. Decree 50/2017.

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

### 3. Responsibility in the Value Chain

#### 3.1 The supply chain

The Group distinguishes between its dealings with regular suppliers of goods and services ("non-core" suppliers) on the one hand, and its dealings with sourcing centres and licensees on the other, which are the Group's true commercial counterparts. As can be seen from a mapping of the Group's stakeholders, BasicNet's Business System distinguishes between its dealings with Licensees, 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. 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. and to the Kappa Europe Group.

BasicItalia S.p.A., K-Way S.p.A. 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.

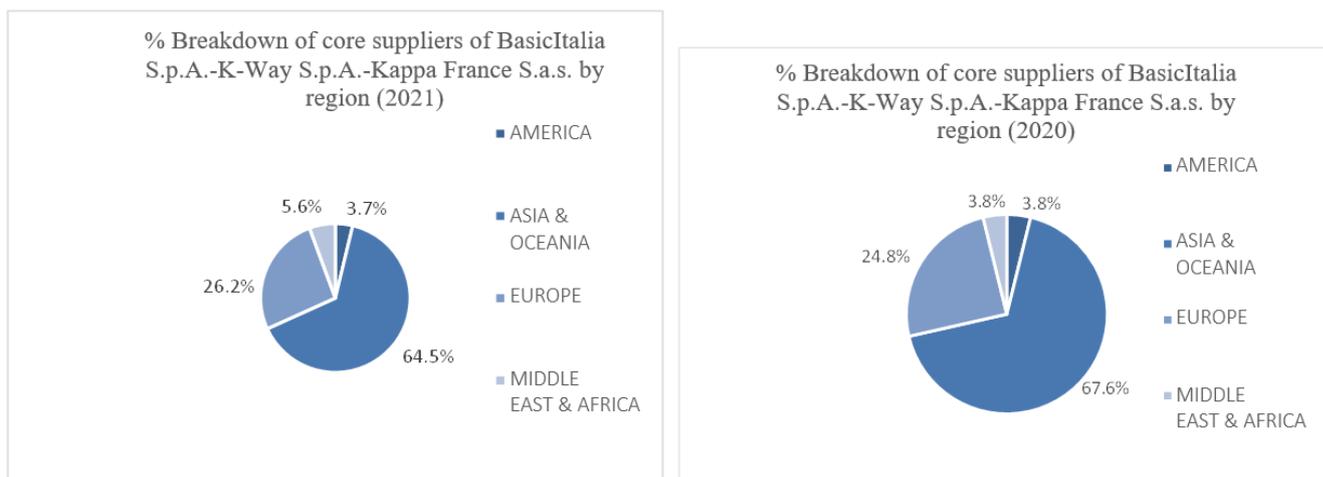
The companies BasicNet Asia and BasicNet Asia Vietnam have been set up with the task of managing relationships with the Sourcing Centers in the area, in order to optimise the control of their activities and to ensure the constant changing of suppliers and to hinder positions of strength.

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. 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 Forbidden Chemical Agreement.

In 2021, just as in the previous year, almost all sourcing centres supplying BasicItalia S.p.A., K-Way S.p.A. 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 2021, the Group had around 2,115 suppliers for purchases not strictly related to core operations, down from 2,140 in the previous year. Of these, approximately 69% were of Italian origin, compared to 65% in the previous year.

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

### 3.2 Data protection

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

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

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

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

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

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. ".com" 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 2021, in which no violations were reported). As regards the Kappa Europe Group, an assessment is currently underway to examine the privacy management system in place in the Group. This aims to identify - and, where necessary, plan - any changes required to bring this system in line with the system adopted by the Basic Group (fully in line with the reference privacy regulations).

### **3.3 Consumer protection**

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

#### **BasicTrademark combats counterfeiting**

BasicNet is in charge of all efforts to combat counterfeiting. It therefore constantly monitors the market. Reports of counterfeiting come indirectly from the local police, the treasury police and customs, but also directly from Italian and overseas customers and from the Group’s network of licensees and their

lawyers, who can get in touch with the Group on the "hunt the fake" tab on the BasicTrademark.com website and on the online sales websites. There are links for reporting counterfeit products on all the Group's e-commerce websites.

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

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

### **BasicLabel labelling**

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

The BasicLabel project was created so as to reassure the end customer that the product 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 2021.

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 95% of Kappa products. From the first half of 2022 the system has been extended also to Robe di Kappa and the possibility of extending the RFID tag project also to K-WAY, starting from the first half of 2023, is under consideration.

## **4. Social Responsibility**

### **4.1 BasicNet Group human resources**

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

At December 31, 2021, the Group's workforce consisted of 864 employees, of which 75.35% in Italy. Most employees have full-time contracts (765 of which 287 men and 478 women) while 99 workers are part-time, of which 92.93% 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.

Workers by type of contract (No.)*	2021			2020		
	Male	Female	Total	Male	Female	Total
Italy	200	451	651	188	402	590
Permanent	148	327	475	144	311	455
Fixed-term	52	124	176	44	91	135
Overseas	94	119	213	97	105	202
Permanent	67	69	136	72	74	146
Fixed-term	27	50	77	25	31	56
<b>Total</b>	<b>294</b>	<b>570</b>	<b>864</b>	<b>285</b>	<b>507</b>	<b>792</b>
of which:						
Full-time	287	478	765	275	410	685
Part-time	7	92	99	10	97	107

\* Data on the total number of employees reflect only the headcount (non-FTE) of in-house staff at December 31, 2021

Following the continuation of the pandemic, also in 2021 the Group made use of the Extended Lay-Off Scheme (CIGD), and recorded the following reduction in working hours:

	Employees involved	Total CIGD	Total workable hours	Cash% on workable hours
BasicNet	201	28,229	429,324.80	6.58
BasicItalia:	147	16,620	298,413.00	5.57
BasicRetail:	195	52,070	292,090.80	17.83
<b>Total</b>	<b>543</b>	<b>96,919</b>	<b>1,019,828.60</b>	<b>9.50</b>

In 2021, 268 new staff were hired (91 males and 177 females). Departures numbered 196 people, which yielded a staff turnover rate of 22.68%. The new hires and departures were principally in the Retail area.

Hiring rate and staff turnover	2021				2020			
	Hires (no.)	Departures (no.)	Rate of Entry*	Turnover**	Hires (no.)	Departures (no.)	Rate of entry*	Turnover
<b>Gender</b>								
Male	91	82	30.95%	27.89%	63	79	21.11%	27.72%
Female	177	114	31.05%	20.00%	125	132	24.65%	26.04%
<b>Age group</b>								
Less than 30	186	124	80.52%	53.68%	151	150	55.93%	55.56%
Between 30 and 50	72	62	14.81%	12.76%	33	51	7.91%	12.23%
Over 50	10	10	6.80%	6.80%	4	10	3.81%	9.52%
<b>Region</b>								
Italy	203	142	31.18%	21.81%	151	175	25.59%	29.66%
Overseas	65	54	30.52%	25.35%	37	36	18.32%	17.82%
<b>Total</b>	<b>268</b>	<b>196</b>	<b>31.02%</b>	<b>22.69%</b>	<b>188</b>	<b>211</b>	<b>23.74%</b>	<b>26.64%</b>

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

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

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

- workforce planning, which involves making sure that enough workers are available and that they are suitably qualified;
- managing staff relations from hiring to conclusion of employment, ensuring compliance with the labour laws and laws governing social security and taxation. In addition, it plans schedules and monitors labour costs and ensures accurate and timely payment of wages and salaries and of the pertinent contributions and taxes;
- handling relations with trade union officials, employers’ associations and social security agencies;
- through suitable policies, procedures and internal rules that are announced and updated whenever needed, to ensure the orderly conduct of company business in compliance with operational standards and company directives.

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

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

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 2021, in Italy 62 internships began, of which 40 concluding in 2021. Of the concluding internships, employment contracts were signed with 30.

## 4.2 Diversity and equal opportunities

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

The company’s success in attaining these goals is evident from its employment figures: at December 31, 2021, the total Group workforce was 34.03% male and 65.97% female, demonstrating the strong female presence at the Group. 56.25% of the total workforce are between the ages of 30 and 50, 17.01% are over the age of 50 and 26.74% are under the age of 30.

Staff by diversity trait	2021			2020		
	Executives	White-collar	Blue-collar	Executives	White-collar	Blue-collar
<b>Gender</b>						
<i>Male</i>	69.70%	32.18%	50.00%	69.74%	32.01%	45.00%
<i>Female</i>	30.30%	67.82%	50.00%	30.26%	67.99%	55.00%
<b>Age group</b>						
Less than 30	0.00%	27.87%	25.00%	5.00%	32.00%	25.00%
Between 30 and 50	42.42%	56.97%	50.00%	58.00%	55.00%	55.00%
Over 50	57.58%	15.17%	25.00%	37.00%	13.00%	20.00%
<b>Total</b>	<b>3.81%</b>	<b>93.86%</b>	<b>2.31%</b>	<b>10.00%</b>	<b>88.00%</b>	<b>3.00%</b>

Just as it does every year, the Group renews its commitment to its ethical values of social responsibility by hiring people belonging to the so-called protected categories. At 31/12/2021, there were 23 staff (11 females and 12 males).

Staff belonging to protected categories (No.)	2021		2020	
	Male	Female	Male	Female
<b>Classification</b>				
Executives	1	-	1	3
White-collar	10	9	5	8
Blue-collar	1	2	1	2
<b>Total</b>	<b>12</b>	<b>11</b>	<b>7</b>	<b>13</b>

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

### 4.3 Training and development of human capital

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

Training begins immediately upon hiring. Training begins on the very day new employees are hired, when they are handed an information sheet with the Code's rules on personal data privacy (Legislative Decree no. 196 of 30/6/2003), the Group's Ethics and Conduct Code, an information brochure on health and safety, and a statement to sign whereby they consent to audio-video recording pursuant to section 13 Legislative Decree 196/2003, independently of their role, participating at the 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)<sup>1</sup>, the working needs indicated by employees and updates on processes, in accordance with the Group's policies.

2021 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 2021 the Group provided over 5,000 hours of training to its human resources, involving a total of 596 trainees. Of these hours, 29% regarded Health and Safety training (Legislative Decree No. 81/2008), whereas the remainder related to Finance, the Ethics Code, business model, 3D software and customs policy. These courses were undertaken with the support of funding from the "Fondimpresa" Inter-professional Fund.

<sup>1</sup> The data and information regarding anti-corruption policy training is available in the "Legislative Decree No. 231/2001 Organization Model" section of the Corporate Governance and Ownership Structure Report.

<b>Hours of training provided</b>	<b>2021</b>	<b>2020</b>
Total hours of training	5,532	5,133
<i>of which, in the classroom</i>	3,804	3,055
<i>of which, online</i>	1,728	2,078
% of hours of training financed <sup>2</sup>	3.90%	2.40%

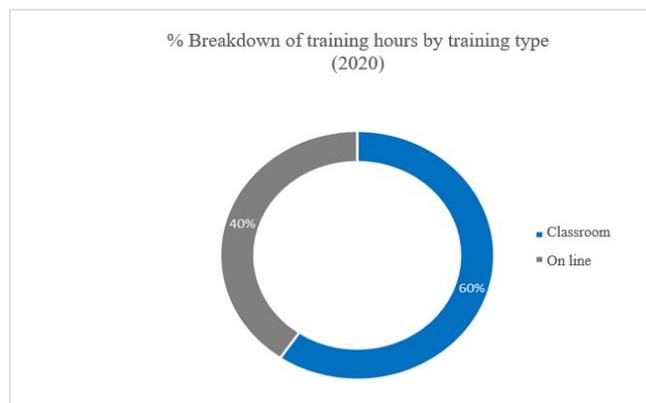
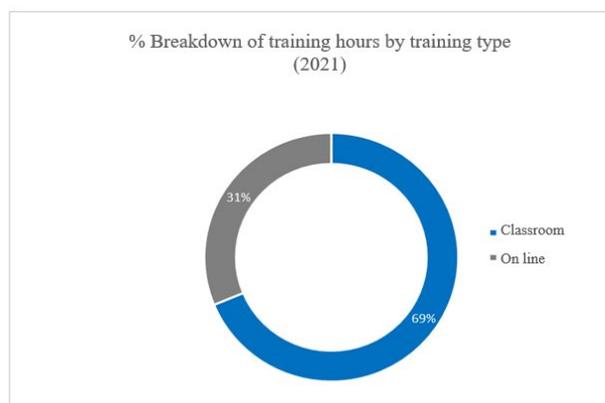
For 2021, the hours of training provided to interns have been separated from the total, and amount to

<b>Training hours provided (interns)</b>	<b>2021</b>	<b>2020</b>
Total hours of training	487	432.00
<i>of which, in the classroom</i>	371	363.00
<i>of which, online</i>	116	69.00

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.

In 2021, due to the health emergency caused by the COVID-19 pandemic, the support offered to new hires at points of sale during the “Welcome on Board” week was suspended until June.

Face-to-face training was carried out, where possible and necessary, in compliance with the protocols put in place to contain the spread of COVID-19.



<sup>2</sup> Training activities for which funding was requested from the “Fondo Interprofessionale Fondimpresa”.

Training by classification and gender	2021		2020	
	Resources trained (no.)	Average hours per capita (**)	Resources trained (no.)	Average hours per capita (*)
Executives	<b>28</b>	<b>7.99</b>	<b>43</b>	<b>8.50</b>
<i>Male</i>	19	8.19	28	6.13
<i>Female</i>	9	7.53	15	13.96
White-collar	<b>548</b>	<b>6.34</b>	<b>687</b>	<b>6.20</b>
<i>Male</i>	158	7.34	216	5.13
<i>Female</i>	390	5.86	471	6.70
Blue-collar	<b>20</b>	<b>6.49</b>	<b>21</b>	<b>8.80</b>
<i>Male</i>	10	10.96	11	14.67
<i>Female</i>	10	2.02	10	4.00
<b>Total</b>	<b>596</b>	<b>6.40</b>	<b>751</b>	<b>6.48</b>
<b>of which, women</b>	<b>409</b>	<b>5.82</b>	<b>496</b>	<b>6.97</b>

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

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

The slight increase in the number of training hours provided takes account of the inclusion of Kappa Europe staff (183 staff).

In order to promote training to ensure that staff remain constantly up-to-date regarding specific operational demands, specific action areas were identified. For 2021, refresher programs focused primarily on developing skills in the use of 3D software for product design and customs policies. These courses were undertaken with the support of funding from the “Fondimpresa” Inter-professional Fund.

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

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

In 2021, adequate training was provided to all employees on the subject of COVID-19, the health emergency, and the behavioural protocols to be followed. The “Emergenza COVID-19 Lavoriamo Sicuri” course was mandatory for all new hires joining the Group.

A total of 133.95 training hours were provided to 162 employees on COVID-19. COVID-19 training will remain mandatory for all new hires joining the Group.

### Company welfare and well-being

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

- The “hour bank” mechanism, which permits more flexible use of overtime.
- Reversible part-time granted to female workers with young children.
- The “BasicCare” desk, where company staff can be asked to handle payments and small routine errands.
- The “BasicGym” gym facility with equipment, which organizes gymnastics courses for the Group's personnel. In the Covid year BasicGym was closed as per current regulations at the beginning of the year. BasicNet later created a dedicated usage system during the months when indoor exercise was

permitted. Online classes were set up to allow employees to participate from home in order to make up for the closure.

- Free access to the BasicVillage multi-storey parking garage.
- Listening desk: intended to provide employees access to qualified psychological support following a traumatic event or an event impacting work activities. Employees can get in touch with the Counsellor to make an appointment. The Counsellor informs the company how many times the service has been accessed on a monthly basis. The content of the appointments is confidential and protected by legislation on privacy and professional secrecy, while the identity of the people accessing the service, and the number of times it has been accessed can be traced.

The Group seeks to promote work-life balance through the extension of the post-maternity part-time option provided for in the National Collective Labour Agreement, with the possibility of applying for the programme until the child's six birthday. Part-time requests are also generally accepted without reference to the percentage envisaged in the National Collective Labour Agreement. In 2021, 24 resources – 24 women and 0 men – took parental leave.

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

With regard to collective bargaining agreements, the BasicNet Group applies the Tertiary Distribution and Services Contract, which covers around 75% of employees, i.e. the majority of the company's workforce in Italy, with the exception of 4 staff, 3 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.

In view of the evolution of the Covid-19 pandemic that in the summer of 2021 saw a new increase at national level, the BasicNet Group, in addition to the measures already put in place to protect the health of workers, decided to join the initiative in collaboration with the Humanitas Gradenigo Hospital, starting its own vaccine HUB allowing all employees to get their first and second vaccine dose.

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

	Total remote working hours	Total workable hours	% remote working on workable hours
Italy	184,734	827,105	22.33%

#### 4.4 Occupational health and safety

As stated in the Ethics Code, the Group has always safeguarded health and safety in the workplace for all human resources. In this regard, in fact, the Parent Company and its Italian subsidiaries have developed a “Risk Assessment Document” pursuant to Legislative Decree 81/2008 (Basic Properties America, Inc. and BasicNet Asia Ltd., Kappa France S.a.s., BasicRetail Suisse S.A. - now 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., BasicVillage S.p.A. and K-Way S.p.A., who individually itemise expenses of BasicRetail 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 2021 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 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. SSL personnel meet annually (pursuant to article 35 of Legislative Decree 81/2008) to identify and share information regarding sensitive situations and to identify potential corrective actions. Each meeting is duly formalised by the “.com” BasicFacility and BasicGuys of the Group and the related reports are shared with relevant parties. The following participate in the meetings:

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

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

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

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

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

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

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

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

- the planning and the delivery of a course on general workplace health and safety for official use (e-learning);

- appropriate training courses related to the specific risks to which employees are exposed depending on their related roles, as well as on the correct use of Individual Protection Devices (IPD).

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

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

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

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

In 2021, there were no reports of occupational illnesses, nor were there any fatal incidents or incidents with permanent damage reported.

In 2021 there was 2 workplace accidents in Italy and 6 workplace accidents abroad.

<b>Number of accidents and accident rates 2021 – Italy</b>		
		<b>Total</b>
Total accidents (No.)		<b>2</b>
	<i>serious workplace accidents (No.)<sup>3</sup></i>	0
	<i>of which deaths at work (No.)</i>	0
	Frequency Index/Accident Rate (Injury Rate IR) <sup>4</sup>	0.42
	Rate of serious accidents at work (excluding deaths) <sup>5</sup>	0.00
	Workplace death rate <sup>6</sup>	0.00
	Total hours worked	946,612
<b>Number of accidents and accident rates 2021 – Abroad</b>		
		<b>Total</b>
Total accidents (No.)		6
	<i>serious workplace accidents (No.)</i>	0
	<i>of which deaths at work (No.)</i>	0
	Frequency Index/Accident Rate (Injury Rate IR)	4.37
	Rate of serious accidents at work (excluding deaths)	0.00
	Workplace death rate <sup>6</sup>	0.00
	Total hours worked	274,337
<b>Number of accidents and accident rates 2020 – Italy</b>		
		<b>Total</b>
Total accidents (No.)		<b>3</b>
	<i>serious workplace accidents (No.)</i>	0
	<i>of which deaths at work (No.)</i>	0

<sup>3</sup> Serious work-related injuries refer to work-related injuries that result in an injury where the worker cannot, or does not expect, to fully recover to pre-injury health within 6 months. Deaths due to accidents in the workplace are excluded from this category.

<sup>4</sup> The Frequency Index represents the ratio between the total number of accidents and the total number of days worked during the same period, multiplied by 200,000 (Source: *GRI standards 2016*)

<sup>5</sup> The serious occupational injury rate represents the ratio of the number of serious injuries excluding fatalities to total hours worked, multiplied by 200,000.

<sup>6</sup> The occupational fatality rate represents the ratio of the number of fatalities occurring in the workplace to total hours worked, multiplied by 200,000

Frequency Index/Accident Rate (Injury Rate IR)	0.71
Rate of serious accidents at work (excluding deaths)	0.00
Workplace death rate	0.00
Total hours worked	855,959

#### Number of accidents and accident rates 2020 – Abroad

	Total
Total accidents (No.)	3
<i>serious workplace accidents (No.)</i>	0
<i>of which deaths at work (No.)</i>	0
Frequency Index/Accident Rate (Injury Rate IR)	2.65
Rate of serious accidents at work (excluding deaths)	0.00
Workplace death rate	0.00
Total hours worked	226,112

Throughout 2021, 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 2021 new AED (automated external defibrillator) operators were trained, and new hires were brought up to date as per the applicable legislation.

## 5. Environmental Responsibility

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

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

## 5.1 Energy resource management

The energy resources analysed relate to:

- The Turin sites, i.e. the offices of the Parent Company<sup>7</sup> (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.
- The French, English, Spanish and Swiss offices of the new Kappa Europe Group.
- 47 Franchises<sup>8</sup>, i.e. the stores owned by the subsidiary BasicRetail S.r.l. and K-WayRetail S.r.l. located in Italy and the store in Mendrisio (Switzerland) which was taken over in June 2021 by the new company K-WayRetail SUISSA 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 17 employees.
- The company BasicAir S.r.l., which owns a second-hand Cessna Citation VII aircraft.

In relation to the two headquarters in Turin, where 421 out of 864 employees work (48.72% 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 2021. It is nevertheless important to note that in the BasicVillage offices there is an automatic lighting system which automatically switches off all the lights in the premises. At BasicItalia's offices, in 2022 the replacement of all lights and fluorescent bulbs with LED lighting will be 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;
- pursuant to Legislative Decree 102/2014, an energy audit to promote energy efficiency is programmed every three years for the Basic Village and BasicItalia headquarters, which took place in 2019. It will be undertaken again in 2022;
- the use of IT devices such as printers and photocopiers with automatic settings providing standby modes for certain periods of inactivity, as well as employees switching off their computers at the end of the day. According to the research undertaken on energy consumption and respect for the environment, the Group requests that its users, where possible and as per standard procedures, turn off their PC's and monitors at the end of the working day. This research is supported also by European Union data, which through the "Energy Star" platform introduced a dynamic calculation system which (Hardware features and average usage) can establish the annual energy consumption of PC's in kWh terms.

With regard to the energy resources used internally within the Group, all the stores and the two Turin headquarters purchase their energy directly from the grid, but only the two Turin headquarters use respectively natural gas (BasicVillage headquarters) and oil (BasicItalia and BasicVillage headquarters) to heat their premises. We note that in 2021, total electric energy consumption increased by 9%

<sup>7</sup> The Parent Company's relative electricity consumption also includes, for 2021, in continuity with 2020, the Corso Vigeveno warehouse and the Via Padova offices in Turin (Italy).

<sup>8</sup> the K-Way20 Olbia store at Olbia Costa Smeralda Airport was excluded because both for size and consumption it was considered not significant and because of the lack of specific data on the store (expenses and consumption are invoiced by the Costa Smeralda Airport, without specific details).

compared to 2020, whereas the consumption of natural gas increased by 72%, and the use of oil for heating decreased by 7%. 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 2021, and thus favours this resource to diesel. The increase in 2021 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 was affected by a 43% increase in gasoline consumption and a significant 182% increase in diesel consumption due to the recovery after the health emergency which, in the countries in which the Group operates, led to fewer vehicles in circulation in 2021. In addition, there are more gasoline vehicles than diesel vehicles in 2021.

Specifically, the greenhouse gases from electricity supplied from the grid (indirect emissions - Scope 2, calculated using a Location-based method rather than a Market-based method), did not change significantly, declining by 1% with the Location-based approach and 4% with the Market-based approach compared to 2020. By contrast, emissions generated directly within the Group from the use of heating and vehicle fuels (direct emissions - Scope 1) increased 65% on 2020. This was due to the Group's increased scope and the consumption generated by the Cessna Citation VII aircraft. Among these, emissions generated by the use of petrol and diesel for motor vehicles increased by 149%, due to the resumption of operations and commercial activities following 2020, the first year of the pandemic.

In general, it should be noted that the main differences relating to energy consumption data are mainly owed to the lockdown and the reduced use of company cars, especially by the sales team. In addition, the changes in CO<sub>2</sub> emissions data between 2021 and 2020 can be attributed to an increase in the Group's energy consumption and changes to the consolidation scope, following the inclusion of the company BasicAir S.r.l for the full year 2021.

*Internal and external energy consumption for the BasicNet Group in 2021 and 2020*

Energy sources	2021	2020	Change %
<b>Internal energy consumption<sup>9</sup></b>			
<b>Electrical energy purchased from the grid</b>	4,471,763 kWh (16,098 GJ)	4,086,904 kWh (14,713 GJ)	9%
<b>Heating</b>			
Natural gas	365,933 scm (12,910 GJ)	212,718 scm (7,505 GJ)	72%
Diesel	52,240 litres (1,888 GJ)	56,204 litres (2,020 GJ)	-7%
<b>Vehicles</b>			
Petrol or vehicles	18,425 litres (589 GJ)	12,875 litres (406 GJ)	43%
Diesel for vehicles	76,978 litres (2,782 GJ)	27,306 litres (982 GJ)	182%
<b>Aviation<sup>10</sup></b>			
Aviation turbine fuel	82 tonnes (3,587 GJ)	51 tonnes (2,254 GJ)	60%
<b>Total internal energy consumption</b>	<b>37,856 GJ</b>	<b>27,880 GJ</b>	<b>36%</b>

<sup>9</sup> For the 2021 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 2021" table) and by the Department for Environment, Food & Rural Affairs ("Conversion factors 2021: full set (for advanced users) - revised January 2022").

<sup>10</sup> Fuel used for third-party travel was excluded from the Group's consumption of aviation turbine fuel for the Cessna Citation VII aircraft owned by BasicAir. In fact, approximately 40% of the aircraft's flight hours can be attributed to third parties.

*CO<sub>2</sub> emissions of the BasicNet Group, 2021 and 2020*

<b>CO<sub>2</sub> emissions (ton CO<sub>2</sub>)<sup>11</sup></b>	<b>2021</b>	<b>2020</b>	<b>Change %</b>
Scope 1 emissions <sup>12</sup>	1,374	834	65%
Due to heating	865	571	42%
Due to vehicles	249	100	149%
Due to aviation	260	163	59%
Scope 2 emissions <sup>13</sup>			
Location-based Approach	1,334	1,342	-1%
Market-based Approach	1,929	1,852	4%

## 5.2 Waste management

As the Group does not have its own internal production activity, the main waste produced by the Group's activities come under the conventional categories of typical office-waste: paper and cardboard, photocopier and printing toners, batteries and plastics. All waste products are collected and sent to recycling 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 (56,077 kg of waste of non-hazardous waste and 145 kg of hazardous waste), toners are collected by third-party waste processing companies and sent for recovery. In terms of paper consumption, through the web integration, since 1999 the Group has committed to reducing paper usage by means of the IT platform, which is the only communication instrument between the elements within the Network (from procedural controls to HR management). The Group also utilises a scanner archive system throughout the operating cycle, for the majority of accounting records and ledgers and payroll management.

2021 saw a decrease in the total waste produced despite the expansion of the Group consolidation scope. This variation was primarily caused by the Covid-19 pandemic, which resulted in lockdown periods and a change in work mode. In fact, during 2021 the smartworking mode was preferred to the in-person mode as required by current regulations to safeguard and protect the health of employees.

This specifically resulted in a slight decrease in plastic consumption (-13%) and toner consumption (-35%). One factor that has contributed to the reduction in the production of plastic waste has been the inclusion of spoons made of biodegradable material in vending machines at the Group's main offices and paper cups in water dispensers.

Hazardous waste decreased by 75% 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.

<sup>11</sup> For calculations of Scope 1 and Scope 2 emissions, only CO<sub>2</sub> emissions were taken into account. This is because the effect of methane and nitrous oxide on total greenhouse gas emissions (CO<sub>2</sub> equivalents) is negligible, as stated in the related technical literature.

<sup>12</sup> 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").

<sup>13</sup> The reporting standard used (GRI sustainability reporting standards 2016) establishes two different calculation methods for Scope 2 emissions: "Location-based " and "Market-based ". The location-based method requires the use of the average national emission factor related to the specific national energy mix used to produce electricity (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).

BasicNet Group waste products, year 2021 and 2020<sup>14</sup>

Type of waste (KG)	2021	2020	Change %
<b>Non-hazardous waste</b>			
Paper and cardboard	54,930	61,010	-10%
Toner	80	122	-35%
Plastic	1,067	1,228	-13%
<b>Total</b>	<b>56,077</b>	<b>62,360</b>	<b>-10%</b>
<b>Hazardous waste</b>			
Batteries	145	577	-75%
<b>Total</b>	<b>145</b>	<b>577</b>	<b>-75%</b>
<b>Total waste</b>	<b>56,222</b>	<b>62,937</b>	<b>-10%</b>

## 6. EU Taxonomy

The BasicNet Group during 2021, 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, but it is now expected to be published during 2022.

Therefore, the disclosure regarding the European taxonomy for fiscal year 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 Article 10(1) of the delegated act of July 6, 2021, which specifies the content and presentation to be disclosed, the Group will report in fiscal year 2021 only the proportion of economic activities that are eligible and not-eligible ("eligible" and "not-eligible") for the taxonomy in 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.

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 products<sup>15</sup>), 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.

<sup>14</sup> The weight of batteries was estimated based on the weight (in kg) of a battery and the number of batteries disposed of during the year. The weight of plastic was estimated on the basis of the weight (in kg) of bottles of water and the number of bottles disposed of during the year. 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.

<sup>15</sup> Equivalent NACE code: N77.4.0 - Leasing of intellectual property and similar products, except copyrighted works.

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 according to the objectives of climate change mitigation and adaptation are 0%.

### GRI Content Index

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

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

<b>Material topics</b>	<b>GRI Standards aspects</b>	<b>Correlation to themes referred to in Legislative Decree 254/2016</b>	<b>Boundary</b>	<b>Type of impact</b>
<b>Data Security and Protection</b>	- GRI 418: Customer privacy (2016)	Social	BasicNet Group; Sourcing Centers; Licensees	Caused by the Group; Related to Group activities
<b>Prevention of Counterfeiting</b>	- GRI 417: Marketing and labelling (2016)	Social	BasicNet Group; Sourcing Centers; Licensees; Customers and consumers; Franchisees	Caused by the Group; Related to Group activities
<b>Customer Relations</b>	n/a	Social	BasicNet Group; Customers and consumers; Franchisees	Caused by the Group;
<b>Management and development of human resources</b>	- GRI 401: Employment (2016) - GRI 404: Training and education (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
<b>Diversity and equal opportunities</b>	- GRI 405: Diversity and equal opportunity (2016) - GRI 406: Non-Discrimination (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
<b>Worker Well-being</b>	- GRI 401: Employment (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
<b>Employee Health and Safety</b>	- GRI 403: Occupational Health and Safety (2018)	Related to personnel	BasicNet Group; Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees	Caused by the Group; Related to Group activities
<b>Human Rights</b>	- GRI 412: Human rights assessment (2016)	Human Rights	BasicNet Group; Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees	Related to Group activities
<b>Efficient Use of Natural Resources</b>	- GRI 302: Energy (2016)	Environmental	BasicNet Group; Public Sector, government and control bodies	Caused by the Group
<b>Environmental protection</b>	- GRI 305: Emissions (2016) - GRI 306: Waste (2020)	Environmental	BasicNet Group; Public Sector, government and control bodies; local communities	Caused by the Group

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

GRI-Standards		Page	Notes/Omissions <sup>16</sup>
<b>GRI 102: GENERAL STANDARD DISCLOSURES</b>			
<b>Organizational Profile</b>			
102-1	Name of the organization	7	
102-2	Activities, brands, products, and services	7-9	
102-3	Location of headquarters	7	
102-4	Countries of operation	7-13; 15	
102-5	Ownership and legal form	32-40	
102-6	Markets served	10-13; 15	
102-7	Scale of the Organization	14-20; 79-81	
102-8	Information on employees and other workers	79-81	
102-9	Supply chain	75-77	
102-10	Significant changes to the Organisation and its supply chain	63; 66-67	
102-11	Precautionary principle or approach	48-52	
102-12	External initiatives	68-70	
102-13	Membership of associations	68	
<b>Strategy</b>			
102-14	Statement of the Chairperson/Chief Executive Officer	5-6	
102-15	Key impacts, risks, and opportunities	22-25; 48-51; 66	
<b>Ethics and integrity</b>			
102-16	Values, principles, standards, and norms of behavior	51-54	
<b>Governance</b>			
102-18	Governance structure	35-48	
<b>Stakeholder Engagement</b>			
102-40	List of stakeholder groups	69	
102-41	Collective bargaining agreements	85	
102-42	Identifying and selecting stakeholders	68-70	
102-43	Approach to stakeholder engagement	68-70	
102-44	Key topics and concerns raised	70	

<sup>16</sup> The “Notes” column presents information on the coverage of the indicators and any limitations to the reporting boundary.

<b>Reporting process</b>			
102-45	Entities included in the consolidated financial statements	67	
102-46	Defining report content and topic Boundaries	66-70	
102-47	List of material topics	70	
102-48	Restatements of information	63; 66-67	
102-49	Changes in reporting	66-67	No significant changes in relation to the material topics and their scope took place in 2021.
102-50	Reporting period	66	
102-51	Date of most recent report	66	
102-52	Reporting cycle	66-67	
102-53	Contact point for questions regarding the report	67	
102-54	GRI Guidelines compliance option	66	
102-55	GRI Content Index	94-102	
102-56	External assurance	103-105	
<b>SPECIFIC STANDARD DISCLOSURES</b>			
<b>ECONOMIC CATEGORY</b>			
<b>Indirect economic impacts</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	70-74	
103-3	Evaluation of the management approach	70-74	
<b>GRI 203: Indirect economic impacts (2016)</b>			
203-2	Significant indirect economic impacts	70-74	
<b>Anti-corruption</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	49-55	
103-3	Evaluation of the management approach	49-55	
<b>GRI 205: Anti-corruption (2016)</b>			
205-2	Communication and training about anti-corruption policies and procedures	51-55; 82-83	
<b>Anti-competitive conduct</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	49-55	
103-3	Evaluation of the management approach	49-55	

<b>GRI 206: Anti-competitive conduct (2016)</b>			
206-1	Legal actions for anti-competitive behavior, anti-trust, and monopoly practices	99	As for 2020, during 2021 no legal actions for anti-competitive behavior, anti-trust, and monopoly practices were reported.
<b>Income taxes</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	24-25; 74-75	
103-3	Evaluation of the management approach	24-25; 74-75	
<b>GRI 207: Tax (2019)</b>			
207-1	Approach to tax	74-75	
207-2	Tax governance, control and risk management	24-25; 74-75	
207-3	Stakeholder engagement and management of concerns related to tax	22-25; 74-75	
207-4	Country-by-country reporting		<b>Information not available</b> For the year 2021, the Company does not report the information as required by GRI 207-4, for reasons related to the reporting and internal control process of the data with the level of detail required for each tax jurisdiction. Therefore, the Company is committed to sourcing the data and information necessary to cover the disclosures for future reporting years.
<b>ENVIRONMENTAL CATEGORY</b>			
<b>Energy</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	90-92	
103-3	Evaluation of the management approach	90-92	
<b>GRI 302: Energy (2016)</b>			
302-1	Energy consumption within the organization	91-92	

<b>Emissions (2016)</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	90-92	
103-3	Evaluation of the management approach	90-92	
<b>GRI 305: Emissions</b>			
305-1	Direct (Scope 1) GHG emissions	91-92	
305-2	Energy indirect (Scope 2) GHG emissions	91-92	
<b>Effluents and waste</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	92-93	
103-3	Evaluation of the management approach	92-93	
<b>GRI 306: Waste (2020)</b>			
306-1	Waste generation and significant waste-related impacts	92-93	
306-2	Management of significant waste-related impacts	92-93	
306-3	Hazardous waste	92-93	
<b>Environmental Compliance</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	89-91	
103-3	Evaluation of the management approach	98-91	
<b>GRI 307: Environmental Compliance (2016)</b>			
307-1	Non-compliance with environmental laws and regulations	100	As for 2020, during 2021 no significant incidents of non-compliance with environmental laws and regulations were reported.
<b>SOCIAL CATEGORY</b>			
<b>Employment</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	79-81	
103-3	Evaluation of the management approach	79-81	

<b>GRI 401: Employment (2016)</b>			
401-1	New employee hires and employee turnover	80	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	84-85	
<b>Occupational health and safety</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	85-88	
103-3	Evaluation of the management approach	85-88	
<b>GRI 403: Occupational Health and Safety (2018)</b>			
403-1	Occupational health and safety management system	85-89	
403-2	Hazard identification, risk assessment, and incident investigation	85-89	
403-3	Occupational health services	85-89	
403-4	Worker participation, consultation, and communication on occupational health and safety	85-89	
403-5	Worker training on occupational health and safety	82-84; 85-89	
403-6	Promotion of worker health	85-89	
403-7	Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	85-89	
403-9	Work-related injuries	88-89	
<b>Training and education</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	82-84	
103-3	Evaluation of the management approach	82-84	
<b>GRI 404: Training and education (2016)</b>			
404-1	Average hours of training per year per employee	83-84	
404-2	Programs for upgrading employee skills and transition assistance programs	82-84	
<b>Diversity and equal opportunities</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	39-41; 81-82	
103-3	Evaluation of the management approach	39-41; 81-82	
<b>GRI 405: Diversity and equal opportunity (2016)</b>			
405-1	Diversity of governance bodies and employees	39-41; 81-82	
<b>Non-Discrimination</b>			
<b>GRI 103: Managerial approach</b>			

103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	81-82	
103-3	Evaluation of the management approach	81-82	
<b>GRI 406: Non-Discrimination (2016)</b>			
406-1	Incidents of discrimination and corrective actions taken	102	As in 2020, there were no reported instances of discrimination within the Group during the year 2021.
<b>Human rights assessment</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	51-53; 70-72	
103-3	Evaluation of the management approach	51-53; 70-72	
<b>GRI 412: Human rights assessment (2016)</b>			
412-2	Employee training on human rights policies or procedures	51-53; 82-84	
412-3	Significant investment agreements and contracts that include human rights clauses or that underwent human rights screening	51-53	
<b>Assessment of suppliers according to social criteria</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	75-77	
103-3	Evaluation of the management approach	75-77	
<b>GRI 414: Assessment of suppliers according to social criteria (2016)</b>			
414-1	New suppliers that were screened using social criteria	70-71; 76-77	
<b>Marketing and labelling</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	78-79	
103-3	Evaluation of the management approach	78-79	
<b>GRI 417: Marketing and labelling (2016)</b>			
417-1	Requirements for product and service information and labelling	78-79	

<b>Customer privacy</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	77-79	
103-3	Evaluation of the management approach	77-79	
<b>GRI 418: Customer privacy (2016)</b>			
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	103	As for 2020, during 2021 no complaints against privacy violation were received.
<b>Socio-economic compliance</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	49-51	
103-3	Evaluation of the management approach	49-51	
<b>GRI 419: Socio-economic compliance (2016)</b>			
419-1	Non-compliance with laws and regulations in the social and economic area	24-25	
<b>R&amp;D and Innovation</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	27-28	
103-3	Evaluation of the management approach	27-28	
<b>Client Relations</b>			
<b>GRI 103: Managerial approach</b>			
103-1	Explanation of the material topic and its Boundary	69-70; 94-95	
103-2	The management approach and its components	75-77; 78-79	
103-3	Evaluation of the management approach	75-77; 78-79	

## 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 2021 predisposta ai sensi dell'art. 4 del Decreto, presentata nella specifica sezione della Relazione sulla gestione e approvata dal Consiglio di Amministrazione in data 3 marzo 2022 (di seguito "DNF").

L'esame limitato da noi svolto non si estende alle informazioni contenute nel paragrafo "6. 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 dall'impresa 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 con il personale della Kappa Europe S.a.s. e abbiamo svolto limitate verifiche

documentali, al fine di raccogliere informazioni circa i processi e le procedure che supportano la raccolta, l'aggregazione, l'elaborazione e la trasmissione dei dati e delle informazioni di carattere non finanziario alla funzione responsabile della predisposizione della DNF.

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

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

## Conclusioni

Sulla base del lavoro svolto, non sono pervenuti alla nostra attenzione elementi che ci facciano ritenere che la DNF del Gruppo BasicNet relativa all'esercizio chiuso al 31 dicembre 2021 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 "6. EU Taxonomy" della stessa, richieste dall'art.8 del Regolamento europeo 2020/852.

Torino, 22 marzo 2022

EY S.p.A.



Stefania Boschetti  
(Revisore Legale)

**CONSOLIDATED FINANCIAL STATEMENTS  
AND EXPLANATORY NOTES OF THE BASICNET GROUP  
AT DECEMBER 31, 2021**

**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 50.

**BASICNET GROUP CONSOLIDATED INCOME STATEMENT**

(Euro thousands)

	<i>Not</i>	<b>FY 2021</b>		<b>FY 2020</b>		<b>Change</b>	
	<i>e</i>		<b>%</b>		<b>%</b>		<b>%</b>
Consolidated direct sales	(9)	241,635	100.00	213,756	100.00	27,879	13.04
Cost of sales	(10)	(143,628)	(59.44)	(127,125)	(59.47)	(16,503)	(12.98)
<b>GROSS MARGIN</b>		<b>98,007</b>	<b>40.56</b>	<b>86,631</b>	<b>40.53</b>	<b>11,376</b>	<b>13.13</b>
Royalties and sourcing commissions	(11)	54,763	22.66	45,975	21.51	8,788	19.12
Other income	(12)	10,066	4.17	8,490	3.97	1,576	18.56
Sponsorship and media costs	(13)	(36,231)	(14.99)	(38,284)	(17.91)	2,053	5.36
Personnel costs	(14)	(31,043)	(12.85)	(28,893)	(13.52)	(2,150)	(7.44)
Selling, general and administrative costs, royalties expenses	(15)	(51,312)	(21.24)	(54,092)	(25.31)	2,780	5.14
Amortisation & depreciation	(16)	(12,630)	(5.23)	(12,276)	(5.74)	(354)	(2.88)
<b>EBIT</b>		<b>31,620</b>	<b>13.09</b>	<b>7,551</b>	<b>3.53</b>	<b>24,069</b>	<b>318.75</b>
Net financial income (charges)	(17)	(1,891)	(0.78)	(1,707)	(0.80)	(184)	(10.76)
Management of equity investments	(18)	(6)	(0.00)	933	0.44	(939)	(100.66)
<b>PROFIT BEFORE TAXES</b>		<b>29,723</b>	<b>12.30</b>	<b>6,777</b>	<b>3.17</b>	<b>22,946</b>	<b>338.58</b>
Income taxes	(19)	(9,393)	(3.89)	1,804	0.84	(11,197)	(620.76)
<b>NET PROFIT FOR THE YEAR</b>		<b>20,330</b>	<b>8.41</b>	<b>8,581</b>	<b>4.01</b>	<b>11,749</b>	<b>136.93</b>
<b>Earnings per share</b>	(20)						
- basic		<b>0.3965</b>		<b>0.1635</b>		<b>0.233</b>	<b>142.56</b>
- diluted		<b>0.3965</b>		<b>0.1635</b>		<b>0.233</b>	<b>142.56</b>

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

	<i>Note</i>	<b>FY 2021</b>	<b>FY 2020</b>
<b><i>Profit for the year (A)</i></b>		<b>20,330</b>	<b>8,581</b>
Effective portion of the Gains/(losses) on cash flow hedges		3,793	(2,358)
Re-measurement of post-employment benefits (IAS 19) (*)		(108)	6
Gains/(losses) from translation of accounts of foreign subsidiaries		628	(785)
Tax effect on other profits/(losses)		(905)	583
<b><i>Total other gains/(losses), net of tax effect (B)</i></b>	<i>(34)</i>	<b>3,408</b>	<b>(2,554)</b>
<b>Total Comprehensive Profit (A)+(B)</b>		<b>23,738</b>	<b>6,027</b>

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

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

<b>ASSETS</b>	<i>Note</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Intangible assets	(21)	65,748	65,380
Rights-of-use	(22)	23,119	22,082
Goodwill	(23)	11,840	11,907
Property, plant and equipment	(24)	47,276	45,690
Equity invest. & other financial assets	(25)	1,099	765
Interests in joint ventures	(26)	191	192
Deferred tax assets	(27)	7,737	3,419
<b>Total non-current assets</b>		<b>157,010</b>	<b>149,435</b>
Net inventories	(28)	63,622	62,194
Trade receivables	(29)	53,120	53,050
Other current assets	(30)	11,239	10,263
Prepayments	(31)	12,654	13,433
Cash and cash equivalents	(32)	28,548	33,652
Derivative financial instruments	(33)	1,596	-
<b>Total current assets</b>		<b>170,779</b>	<b>172,592</b>
<b>TOTAL ASSETS</b>		<b>327,789</b>	<b>322,027</b>
<b>LIABILITIES</b>	<i>Note</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital		31,717	31,717
Reserve for treasury shares in portfolio		(30,648)	(24,679)
Other reserves		112,423	103,658
Net Profit		20,330	8,581
<b>TOTAL SHAREHOLDERS' EQUITY</b>	(34)	<b>133,822</b>	<b>119,277</b>
Provisions for risks and charges	(35)	590	229
Loans	(36)	34,783	44,387
Payables for rights-of-use	(38)	24,041	23,097
Employee and Director benefits	(39)	4,902	4,062
Deferred tax liabilities	(40)	6,451	-
Other non-current liabilities	(41)	1,368	1,381
<b>Total non-current liabilities</b>		<b>72,135</b>	<b>73,156</b>
Bank payables	(37)	31,466	48,330
Trade payables	(42)	66,517	55,925
Tax payables	(43)	9,131	5,805
Other current liabilities	(44)	8,973	12,020
Accrued expenses	(45)	5,703	5,274
Derivative financial instruments	(46)	42	2,240
<b>Total current liabilities</b>		<b>121,832</b>	<b>129,594</b>
<b>TOTAL LIABILITIES</b>		<b>193,967</b>	<b>202,750</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>327,789</b>	<b>322,027</b>

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

	December 31, 2021	December 31, 2020
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(6,265)</b>	<b>(27,040)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the year	20,330	8,581
Amortisation & depreciation	12,630	12,276
Management of equity investments	6	(933)
Changes in working capital:		
(Increase) decrease in trade receivables	(70)	15,510
(Increase) decrease in inventories	(1,429)	4,545
(Increase) decrease in other receivables	399	(1,469)
. Increase (decrease) in trade payables	11,642	8,382
. Increase (decrease) in other payables	1,624	(6,562)
Net changes in employee and director benefits	840	654
Others, net	(20)	(1,342)
	<b>45,951</b>	<b>39,642</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(5,889)	(4,000)
- intangible assets	(3,214)	(3,062)
- financial assets	(338)	-
- acquired brand K-Way Japan	-	(10,945)
- acquired brand K-Way China	(1,050)	(100)
- change in consolidation scope	-	(11,141)
Realisable value for fixed asset disposals:		
- tangible assets	118	77
- intangible assets	-	-
- financial assets	-	-
	<b>(10,372)</b>	<b>(29,171)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
New medium/long term loans	-	28,909
Loan repayments	(8,762)	(5,246)
Repayment of loans for rights-of-use	(5,113)	(3,965)
Acquisition of treasury shares	(5,969)	(3,022)
Dividend payments	(3,144)	(6,372)
	<b>(22,988)</b>	<b>10,304</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>12,591</b>	<b>20,775</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>6,325</b>	<b>(6,265)</b>

Interest paid for the year amounts to respectively Euro 734 thousand in 2021 and Euro 634 thousand in 2020, while income taxes paid in the year amount respectively to Euro 1.7 million in 2021 and Euro 2.2 million in 2020.

## STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

*(Euro thousands)*

	Share capital Capital	Treas. shares	Reserves				Cash flow hedge	Result	Total Group Net Equity
			Reserves & Retained earnings	Translation reserve	Remeas. IAS 19	IFRS16 Reserve			
<b>Balance at December 31, 2019</b>	<b>31,717</b>	<b>(22,225)</b>	<b>90,789</b>	<b>1,324</b>	<b>(275)</b>	<b>(733)</b>	<b>91</b>	<b>21,053</b>	<b>121,741</b>
Allocation of result as per Shareholders' AGM resolution of June 26, 2020									
- Reserves & Retained earnings		-	14,677	-	-	-	-	(14,677)	-
- Dividends distributed		-	-	-	-	-	-	(6,376)	(6,376)
Acquisition of treasury shares		(3,022)	-	-	-	-	-	-	(3,022)
Own equity transaction		568	232	-	-	-	-	-	800
2020 Result		-	-	-	-	-	-	8,581	8,581
Other changes/correction of errors from previous years		-	49	-	-	-	-	-	49
Changes in the consolidation scope		-	56	-	-	-	-	-	56
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	(785)	-	-	-	-	(785)
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	5	-	-	-	5
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	(1,773)	-	(1,773)
<i>Total comprehensive income</i>		-	-	(785)	5	-	(1,773)	8,581	6,027
<b>Balance at December 31<sup>st</sup> 2020</b>	<b>31,717</b>	<b>(24,679)</b>	<b>105,803</b>	<b>539</b>	<b>(270)</b>	<b>(733)</b>	<b>(1,682)</b>	<b>8,581</b>	<b>119,277</b>
Allocation of result as per Shareholders' AGM resolution of April 8, 2021									
- 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
<b>Balance at December 31, 2021</b>	<b>31,717</b>	<b>(30,648)</b>	<b>111,161</b>	<b>1,167</b>	<b>(352)</b>	<b>(733)</b>	<b>1,180</b>	<b>20,330</b>	<b>133,822</b>

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

	December 31, 2021	December 31, 2020
Cash and cash equivalents	28,548	33,652
Bank overdrafts and bills	(9,313)	(19,929)
Import advances	(12,910)	(19,989)
<i>Sub-total net liquidity available</i>	<u>6,325</u>	<u>(6,266)</u>
Short-term portion of medium/long-term loans	(9,243)	(8,412)
<b>Short-term net financial position</b>	<b>(2,918)</b>	<b>(14,678)</b>
Medium/long term loans	(34,268)	(43,709)
Payables for rights-of-use	(24,041)	(23,097)
Finance lease payables	(515)	(678)
<i>Sub-total loans and leasing</i>	<u>(58,824)</u>	<u>(67,484)</u>
<b>Consolidated Net Financial Position</b>	<b>(61,743)</b>	<b>(82,162)</b>

The following table shows the composition of the Group's net debt as of December 31, 2021 and December 31, 2020, 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.

	December 31, 2021	December 31, 2020
A. Cash	123	87
B. Other cash equivalents	28,425	33,565
C. Securities held for trading	-	-
<b>D. Cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>28,548</b>	<b>33,652</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>
F. Current bank payables	(22,223)	(39,918)
G. Current portion of non-current debt	(9,243)	(8,412)
H. Other current financial payables	-	-
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>(31,466)</b>	<b>(48,330)</b>
<b>J. Net current financial debt (I)-(E)-(D)</b>	<b>(2,918)</b>	<b>(14,678)</b>
K. Non-current bank payables	(58,824)	(67,484)
L. Bonds issued	-	-
M. Other non-current financial payables	1,554	(2,240)
N. Trade payables and other non-current payables	-	-
<b>O. Non-current financial debt (K) + (L) + (M) + (N)</b>	<b>(57,270)</b>	<b>(69,724)</b>
<b>P. Net financial debt (J) + (O)</b>	<b>(60,189)</b>	<b>(84,402)</b>

The net financial debt differs from the consolidated net financial position for the fair value of the interest and currency hedging operations - cash flow hedges (Notes 33 and 46).

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

	<b>December 31, 2021</b>	<b>December 31, 2020</b>
<b>A) OPENING NET FINANCIAL POSITION</b>	<b>(82,162)</b>	<b>(78,274)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit for the year	20,330	8,581
Amortisation & depreciation	12,630	12,276
Management of equity investments	6	(933)
Changes in working capital:	12,166	20,406
Net changes in employee and director benefits	840	654
Others, net	(20)	(1,341)
	<b>45,951</b>	<b>39,642</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed asset investments	(9,103)	(7,162)
Purchase brand Kappa Japan	-	(10,945)
Acquisition K-Way China	(1,050)	-
Aprica acquisition	-	(10,466)
Change in consolidation scope	-	(675)
Acquisition of financial assets	(338)	-
Realisable value for fixed asset disposals	118	77
	<b>(10,372)</b>	<b>(29,171)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Registration payables for Right-of-use	(6,581)	(9,143)
Income from right-of-use	534	1,340
Proceeds from Kappa Europe put/call option	-	2,839
Acquisition of treasury shares	(5,969)	(3,022)
Dividend payments	(3,144)	(6,372)
	<b>(15,160)</b>	<b>(14,358)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>20,418</b>	<b>(3,888)</b>
<b>F) CLOSING NET FINANCIAL POSITION</b>	<b>(61,743)</b>	<b>(82,162)</b>

## EXPLANATORY NOTES

### 1. GENERAL INFORMATION

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

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

The publication of the consolidated financial statements of BasicNet as at December 31, 2021 was approved by the Board of Directors on March 3, 2022.

### 2. FORM AND CONTENT

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

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

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

The Group consolidated financial statements include the financial statements at December 31, 2021 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, 2021 are the same as those utilised for the previous year, with the exception of the adoption of new standards and amendments from January 1, 2021. 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, 2021**

##### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16 Reform of the interest rates benchmark - Phase 2**

The changes include the temporary easing of requirements with respect to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially risk free (Risk Free Rate- RFR):

The changes include the following practical expedients:

- Allow contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- They allow changes, required by IBOR reform, to be made to the documentation for the designation of the coverage report without the coverage report having to be discontinued;
- They provide temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

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

**Amendment to IFRS 16 COVID-19 Related Rent Concessions beyond June 30, 2021**

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

The amendments were applicable until June 30, 2021, although as the impact of the COVID-19 pandemic has continued, on March 31, 2021 the IASB extended the application period of the practical expedient until June 30, 2022.

The amendments apply to the years beginning April 1, 2021 or subsequently. The Group has applied the practical expedient, the effects of which are discussed in Note 8 and Note 38.

**3. FORMAT OF THE FINANCIAL STATEMENTS**

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

**4. CONSOLIDATION PRINCIPLES**

The consolidated financial statements were prepared including the financial statements at December 31, 2021 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 2021		FY 2020	
	Average	At year-end	Average	At year end
US Dollar	1.1809	1.1326	1.1451	1.2271
HK Dollar	9.1810	8.8333	8.8825	9.5142
Japanese Yen	130.2955	130.3800	121.8002	126.4900
UK Sterling	0.8582	0.8403	0.8888	0.8990
Swiss Franc	1.0794	1.0331	1.0708	1.0802
Vietnamese Dong	27,083	25,819	26,655	28,331

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, 2021 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, 2021, in line with those utilised in the previous year, are disclosed below.

**Revenue recognition**

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

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

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

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

**Recognition of costs and expenses**

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

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

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

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

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

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

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

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

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

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

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

### **Income taxes**

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

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

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

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

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

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

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

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

The diluted earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the average weighted number of shares outstanding, taking into account the effects of all the potential ordinary shares with dilution effects. In 2021, there were no diluting effects on the shares.

### **Provisions and contingent liabilities**

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

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

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

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

### **Use of estimates**

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

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

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

### **Intangible assets**

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

### Software development

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

### Concessions, brands and similar rights

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

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

The patent rights are amortised over ten years.

### Other intangible assets

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

### **Goodwill**

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

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

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

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

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

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

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

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.

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.

**Trade receivables**

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

**Cash and Cash Equivalents**

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

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

**Prepayments and accrued income**

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

**Treasury shares**

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

**Provisions for risks and charges**

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

**Employee benefits**

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

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

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

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

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

**Payables**

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

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

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

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

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

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

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

After their initial recognition, they are accounted as follows:

a) Fair value hedges

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

b) Cash flow hedges

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

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

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

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

*Hierarchy of Fair Value according to IFRS 7*

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

The IFRS 7 classification implies the following hierarchy:

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

**6. OTHER INFORMATION**

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

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

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

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

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

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

It is recalled that during the year, the BasicNet Group launched a corporate reorganisation project, expected to conclude during the year, in order to concentrate in a single company all operations, both license management and of the direct sales channels, for the K-Way® brand: this operation shall facilitate a greater focus on the brand.

<i>December 31, 2021</i>	<b>Clothing, footwear and accessories</b>	<b>Property</b>	<b>Inter-segment eliminations</b>	<b>Consolidated</b>
Direct sales – third parties	241,635	-	-	241,635
(Cost of sales)	(143,628)	-	-	(143,628)
<b>GROSS MARGIN</b>	<b>98,007</b>	<b>-</b>	<b>-</b>	<b>98,007</b>
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 & depreciation	(13,332)	(1,723)	2,426	(12,630)
<b>EBIT</b>	<b>31,742</b>	<b>10</b>	<b>(132)</b>	<b>31,620</b>
Financial income	5,194	-	-	5,194
(Financial charges)	(7,141)	(121)	178	(7085)
Share of profit/(loss) of investments	(6)	-	-	(6)
<b>PROFIT BEFORE TAXES</b>	<b>29,788</b>	<b>(111)</b>	<b>46</b>	<b>29,723</b>
Income taxes	(9,389)	(5)	-	(9,393)
<b>NET PROFIT</b>	<b>20,400</b>	<b>(116)</b>	<b>46</b>	<b>20,330</b>
<i>Significant non-cash items:</i>				
Income from right-of-use	546	-	-	546
Amortisation & depreciation	(13,332)	(1,723)	2,426	(12,630)
Write-downs	-	-	-	-
<b>Total non-cash items</b>	<b>(12,786)</b>	<b>(1,723)</b>	<b>2,426</b>	<b>(12,083)</b>
<i>Segment assets and liabilities:</i>				
<b>Assets</b>	<b>313,520</b>	<b>38,700</b>	<b>(24,431)</b>	<b>327,789</b>
<b>Liabilities</b>	<b>187,107</b>	<b>28,699</b>	<b>(21,839)</b>	<b>193,967</b>

<i>December 31, 2020</i>	<b>Clothing, footwear and accessories</b>	<b>Property</b>	<b>Inter-segment eliminations</b>	<b>Consolidated</b>
Direct sales – third parties	213,741	14	-	213,756
(Cost of sales)	(127,120)	(6)	-	(127,125)
<b>GROSS MARGIN</b>	<b>86,621</b>	<b>9</b>		<b>86,631</b>
Royalties and sourcing commissions – third parties	45,975	-	-	45,975
Other income - third parties	7,831	3,775	(3,115)	8,490
(Sponsorship and media costs)	(38,288)	-	4	(38,284)
(Personnel costs)	(28,856)	(37)	-	(28,893)
(Selling, general and administrative costs, royalties expenses)	(52,765)	(2,224)	898	(54,092)
Amortisation & depreciation	(13,076)	(1,298)	2,099	(12,276)
<b>EBIT</b>	<b>7,441</b>	<b>225</b>	<b>(115)</b>	<b>7,551</b>
Financial income	3,701	(-)	206	4,086
(Financial charges)	(5,417)	(197)	-	(5,793)
Share of profit/(loss) of investments	933	-	-	933
<b>PROFIT BEFORE TAXES</b>	<b>6,658</b>	<b>28</b>	<b>91</b>	<b>6,777</b>
Income taxes	1,811	(7)	-	1,804
<b>NET PROFIT</b>	<b>8,469</b>	<b>21</b>	<b>91</b>	<b>8,581</b>
<i>Significant non-cash items:</i>				
Income from right-of-use	1,343	-	-	1,343
Proceeds from Kappa Europe put/call option	2,839	-	-	2,839
Amortisation & depreciation	(13,076)	(1,298)	2,099	(12,276)
Write-downs	-	-	-	-
<b>Total non-cash items</b>	<b>(11,733)</b>	<b>(1,298)</b>	<b>2,099</b>	<b>(10,932)</b>
<i>Segment assets and liabilities:</i>				
<b>Assets</b>	<b>310,881</b>	<b>36,252</b>	<b>(25,106)</b>	<b>322,027</b>
<b>Liabilities</b>	<b>199,065</b>	<b>26,200</b>	<b>(22,515)</b>	<b>202,750</b>

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

- the “Licenses and brands” segment reports royalties and sourcing commissions of Euro 54.8 million for 2021 compared to Euro 46.0 million in the previous year. Direct sales are also reported of Euro 241.6 million, compared to sales in the previous year of Euro 213.7 million. The contribution margin on sales was Euro 98.0 million, compared to Euro 86.6 million in 2020. The revenue margin was 40.6% (40.5% in 2020), slightly improving despite the noted logistical difficulties for international trade and the general increase in raw material costs. 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. The segment reports a profit of Euro 20.4 million compared to Euro 8.5 million in the previous year;
- the “Property” segment reports a loss of Euro 116 thousand, compared to a loss of Euro 21 thousand in 2020. The performance for the year was impacted by the ongoing work to restructure the BasicVillage in Milan, whose contribution to segment earnings shall be apparent from 2022.

## 8. COVID-19 EFFECTS

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

- personnel costs benefitted from social security contributions totalling Euro 1.2 million across the various countries in which the Group operates;
- overheads include non-recurring charges of Euro 320 thousand, of which Euro 68 thousand relating to sanitising costs and the purchase of personal protective equipment, and for the remainder technical consultancy, in addition to Euro 24 thousand in expenses incurred to set up the Vaccination Hub and Euro 88 thousand for site improvements;
- sponsorship and media investments benefitted from contract sponsorship renegotiations concluded in the previous year worth Euro 2.6 million;
- sundry income includes the reversal of payables for right-of-use assets following post-lockdown negotiations amounting to Euro 0.5 million, in application of the practical expedient described in Note 22;
- other income includes operating grants of Euro 60 thousand paid out to the Group's Swiss companies.

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

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

- BasicNet S.p.A., BasicItalia S.p.A. and BasicRetail S.r.l. took out unsecured loans, each for Euro 5.5 million, linked to support for working capital and payment of salaries, with a guarantee from the SMEs Guarantee Fund;
- BasicTrademark S.r.l. took out an unsecured loan of Euro 5.5 million, linked to the partial payment of the purchase of the Kappa Japan brand, with a guarantee from the SMEs Guarantee Fund;
- Kappa Sport Iberia S.L. took out two loans of Euro 420 thousand and Euro 200 thousand respectively;
- Preppy Cotton S.A. took out a loan totalling Euro 289 thousand, which does not include any interest expense.

**9. CONSOLIDATED DIRECT SALES**

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

	<b>FY 2021</b>	<b>FY 2020</b>
Sales Italy	152,964	134,666
EU countries other than Italy	73,287	74,112
Rest of the World	15,384	4,978
<b>Total consolidated direct sales</b>	<b>241,635</b>	<b>213,756</b>

Direct sales revenues relate to merchandise sold by BasicItalia S.p.A., BasicRetail S.r.l., K-WayRetail SUISSE S.A., K-Way-Retail S.r.l. and the subsidiaries of Kappa Europe S.a.s. through both the wholesale and retail channels (Euro 240.7 million) and BasicNet S.p.A. for sample merchandise sales (Euro 0.9 million). Sales on the home market accounted for 63.3%, while approx. 30.3% of sales were in other EU countries, with the remaining approx. 6.37% outside the EU. The subsidiaries of Kappa Europe S.a.s. operate in the territories of France, UK, Spain, Portugal and Switzerland.

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

	<b>FY 2021</b>	<b>FY 2020</b>
Multibrand sales	188,238	160,873
Franchising sales	43,492	41,739
Online sales	8,963	9,851
Sample sales	942	1,293
<b>Total consolidated direct sales</b>	<b>241,635</b>	<b>213,756</b>

**10. COST OF SALES**

	<b>FY 2021</b>	<b>FY 2020</b>
Goods purchased – Overseas	103,216	92,730
Freight charges and accessory purchasing cost	21,949	11,850
Cost of outsourced logistics	7,244	6,856
Goods purchased – Italy	6,303	5,395
Samples purchased	2,613	3,043
Packaging	944	869
Change in inventory of raw materials, ancillary, consumables and goods	(1,500)	4,564
Others	2,798	1,818
<b>Total cost of sales</b>	<b>143,628</b>	<b>127,125</b>

“Goods purchased” refer to the finished products acquired by BasicItalia S.p.A., K-Way S.p.A and by the Kappa Europe Group. Sample purchases were made by BasicNet S.p.A. and K-Way S.p.A for resale to the licensees.

**11. ROYALTIES AND SOURCING COMMISSIONS**

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

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

	FY 2021	FY 2020
Europe (EU and non-EU)	22,111	18,340
The Americas	10,338	6,005
Asia and Oceania	17,510	17,953
Middle East and Africa	4,805	3,677
<b>Total</b>	<b>54,763</b>	<b>45,975</b>

**12. OTHER INCOME**

	FY 2021	FY 2020
Income for right-of-use	546	1,343
Income from promo sales	521	796
Rental income	417	492
Recovery of condominium expenses	92	87
Other income	8,490	5,772
<b>Total other income</b>	<b>10,066</b>	<b>8,490</b>

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

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

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

**13. SPONSORSHIP AND MEDIA COSTS**

	FY 2021	FY 2020
Sponsorship and marketing	30,209	31,769
Advertising	4,604	5,466
Promotional expenses	1,418	1,049
<b>Total sponsorship and media costs</b>	<b>36,231</b>	<b>38,284</b>

The account “sponsorship” refers to communication investments incurred directly to which the Group contributes, described in detail in the Directors’ Report. The decrease in the period is mainly attributable to the renegotiation of technical sponsorship contracts for the 2020/2021 sports season.

“Advertising” refers to billboard advertising and press communication campaigns.

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

#### 14. **PERSONNEL COSTS**

	FY 2021	FY 2020
Wages and salaries	22,481	20,888
Social security charges	7,216	6,710
Post-employment benefit	1,346	1,295
<b>Total</b>	<b>31,043</b>	<b>28,893</b>

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

The average number of employees in 2021 was 876, broken down as 38 executives, 805 white-collar and 33 blue-collar employees.

The increase is mainly due to the personnel at the new sales points.

#### 15. **SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES**

	FY 2021	FY 2020
Selling and royalty service expenses	15,908	14,726
Rental, accessory and utility expenses	8,508	7,571
Commercial expenses	6,356	7,048
Directors and Statutory Auditors emoluments	4,203	4,798
Doubtful debt provision	3,254	7,815
Professional consultants	4,269	4,228
Bank charges	1,377	1,435
Other general expenses	7,437	6,471
<b>Total selling, general and administrative costs, and royalties expenses</b>	<b>51,312</b>	<b>54,092</b>

“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 19, 2019, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/97 and subsequent amendments and integrations, and are reported in the Remuneration Report pursuant to Article 123-ter of the CFA, which is available on the company’s website [www.basicnet.com](http://www.basicnet.com) Shareholder’ Meeting 2021 section, to which reference should be made.

The “doubtful debt provision” in the previous year included a higher accrual for certain positions, in addition to a specific item for the early termination of a commercial license, which was subsequently assigned to a new leading commercial partner.

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

#### 16. AMORTISATION & DEPRECIATION

	FY 2021	FY 2020
Intangible assets	2,908	3,330
Right-of-use	5,594	5,155
Property, plant and equipment	4,127	3,791
<b>Total amortisation &amp; depreciation</b>	<b>12,630</b>	<b>12,276</b>

Amortisation of intangible assets includes Euro 67 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 2021	FY 2020
Interest income	3	68
Bank interest charges	(70)	(189)
Interest on medium/long term loans	(658)	(603)
Property lease interest	(12)	(12)
Interest IFRS 16	(138)	(341)
Others	(896)	(559)
<b>Total financial income and charges</b>	<b>(1,771)</b>	<b>(1,636)</b>
Exchange gains	3,542	3,620
Exchange losses	(3,662)	(3,691)
<b>Net exchange gains/(losses)</b>	<b>(120)</b>	<b>(71)</b>
<b>Total financial income/(charges)</b>	<b>(1,891)</b>	<b>(1,707)</b>

Net currency losses amounted to Euro 120 thousand, against losses of Euro 70 thousand in the previous year, as a result of US Dollar movements; net financial charges servicing the debt amounted to Euro 1.7 million compared to Euro 1.6 million in the previous year.

“Others” includes approximately Euro 369 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 8.4 million (of which Euro 1.6 million for IRAP), the release of deferred taxes from previous years and the assessment of deferred taxes emerging in the year for Euro 1.6 million and Euro 1.5 million regarding the positive effects from the application of the “Patent Box”, in addition to prior year taxes and other minor items for Euro 0.8 million.

Benefit from the application of the “Patent Box” rule for 2021 was used only by the parent company BasicNet and has only been taken into account in relation to the portion not subject to ruling by the Tax Authorities.

The reconciliation between the theoretical and actual rate is shown below:

	<b>2021</b>	<b>2020</b>
Profit before taxes	29,723	6,777
Income tax rate	24%	24%
<b><i>Theoretical IRES</i></b>	<b><i>(7,134)</i></b>	<b><i>(1,626)</i></b>
Effect of differences between Italian and foreign tax rates	30	177
Permanent tax differences effect	(475)	(138)
Prior year taxes	(336)	200
Alignment of Brand tax values (Article 110 of Law Decree No. 104/2020)	-	4,967
Patent Box benefit	1,482	962
IRAP	(1,771)	(908)
Failure to record DTA on losses	(539)	(543)
WHT Reversal	(515)	(632)
Substitute taxes for alignment of Brand tax values (Article 110 of Law Decree No. 104/2020)	-	(530)
Other changes	(136)	(125)
<b>EFFECTIVE TAX CHARGE</b>	<b>(9,393)</b>	<b>1,804</b>
<b>Effective tax rate</b>	<b>-31.6%</b>	<b>26.6%</b>
Non-recurring tax charges	-	-
<b>TOTAL EFFECTIVE TAX CHARGE</b>	<b>(9,393)</b>	<b>(1,804)</b>

**20. EARNINGS PER SHARE**

The basic earnings per share, for 2021, is calculated dividing the net result attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year:

<i>(in Euro)</i>	<b>FY 2021</b>	<b>FY 2020</b>
Net result	20,329,502	8,580,521
Weighted average number of ordinary shares	51,275,602	52,493,602
Basic earnings per ordinary share	0.3965	0.1635

At December 31, 2021, 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 2021 and 2020 relates to the number of treasury shares acquired in the year.

**EXPLANATORY NOTES TO THE BALANCE SHEET**

(IN EURO THOUSANDS UNLESS OTHERWISE STATED)

**ASSETS****21. INTANGIBLE ASSETS**

	December 31, 2021	December 31, 2020	Change
Concessions, brands and similar rights	59,292	59,159	133
Software development	4,367	4,052	315
Other intangible assets	1,942	1,971	(29)
Industrial patents	147	198	(51)
<b>Total intangible assets</b>	<b>65,748</b>	<b>65,380</b>	<b>368</b>

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Historic cost at 01.01.2020</b>	<b>58,896</b>	<b>45,396</b>	<b>10,689</b>	<b>775</b>	<b>115,756</b>
<i>Additions</i>	<i>12,355</i>	<i>2,273</i>	<i>430</i>	<i>112</i>	<i>15,170</i>
<i>Disposals &amp; other changes</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1</i>
<i>Write-downs</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Historic cost As at 31.12.2020</b>	<b>71,252</b>	<b>47,669</b>	<b>11,119</b>	<b>887</b>	<b>130,927</b>
<i>Additions</i>	<i>364</i>	<i>2,307</i>	<i>539</i>	<i>4</i>	<i>3,214</i>
<i>Disposals &amp; other changes</i>	<i>-</i>	<i>-</i>	<i>(2)</i>	<i>(4)</i>	<i>(6)</i>
<i>Write-downs</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Historic cost As at 31.12.2021</b>	<b>71,616</b>	<b>49,976</b>	<b>11,656</b>	<b>887</b>	<b>134,136</b>

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands & similar rights	Software development	Other intangible assets	Industrial patents	Total
<b>Acc. Amort. at 01.01.2020</b>	<b>(11,881)</b>	<b>(41,665)</b>	<b>(8,402)</b>	<b>(624)</b>	<b>(62,571)</b>
<i>Amortisation</i>	<i>(212)</i>	<i>(1,952)</i>	<i>(746)</i>	<i>(65)</i>	<i>(2,975)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Acc. Amort. As at 31.12.2020</b>	<b>(12,093)</b>	<b>(43,616)</b>	<b>(9,148)</b>	<b>(689)</b>	<b>(65,546)</b>
<i>Amortisation</i>	<i>(230)</i>	<i>(1,993)</i>	<i>(566)</i>	<i>(52)</i>	<i>(2,841)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Acc. Amort. As at 31.12.2021</b>	<b>(12,323)</b>	<b>(45,609)</b>	<b>(9,714)</b>	<b>(741)</b>	<b>(68,387)</b>

The net book value of intangible assets is reported below:

	<b>Concessions, brands &amp; similar rights</b>	<b>Software development</b>	<b>Other intangible assets</b>	<b>Industrial patents</b>	<b>Total</b>
<b>Opening net book value at</b>					
<b>01.01.2020</b>	<b>47,015</b>	<b>3,731</b>	<b>2,287</b>	<b>151</b>	<b>53,184</b>
<i>Additions</i>	<i>12,355</i>	<i>2,273</i>	<i>430</i>	<i>112</i>	<i>15,170</i>
<i>Disposals and other changes</i>	<i>1</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>1</i>
<i>Amortisation</i>	<i>(212)</i>	<i>(1,952)</i>	<i>(746)</i>	<i>(65)</i>	<i>(2,975)</i>
<i>Write-downs</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Closing net book value at</b>					
<b>31.12.2020</b>	<b>59,159</b>	<b>4,052</b>	<b>1,971</b>	<b>198</b>	<b>65,380</b>
<i>Additions</i>	<i>364</i>	<i>2,307</i>	<i>539</i>	<i>4</i>	<i>3,214</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>-</i>	<i>(2)</i>	<i>(4)</i>	<i>(6)</i>
<i>Amortisation</i>	<i>(230)</i>	<i>(1,993)</i>	<i>(566)</i>	<i>(52)</i>	<i>(2,841)</i>
<i>Write-downs</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>
<b>Closing net book value at</b>					
<b>31.12.2021</b>	<b>59,292</b>	<b>4,367</b>	<b>1,942</b>	<b>147</b>	<b>65,748</b>

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, 2021, 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, in application of the provisions of IAS 36 on impairment testing at least on an annual basis and identifying the effects on the global economy of the Covid-19 pandemic as an external impairment indicator, the Group has conducted all the checks on any permanent impairment of corporate brands and related CGU’s.

For the purposes of the impairment test of the BasicNet Group at consolidated level, the CGU’s were identified as the brands of the company.

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

The verification of the reduction in the loss in value (impairment test) of the indefinite useful life assets, among which brands and goodwill, allocated to each CGU was carried out comparing the carrying amount with the respective recoverable value. The recoverable value was determined discounting the expected net cash flows allocated to each CGU (value in use). The key assumptions utilised for the calculation principally refer to:

- the estimate of the future net cash flows of each CGU is based on the plans approved by the Board of Directors and on reasonable and sustainable assumptions, with respect to future and historical cash flows;
- the terminal value, equal to the value of the cash flows at the end of the explicit time period, is calculated assuming a perpetual growth rate of 1.0% (1.0% in 2020);
- the discounting of the weighed average cost of capital (WACC) of 6.90% (6.80% in 2020).

Following the impairment test no write-down is required of the book value of the brands or the goodwill. The value in use of the CGUs thus determined are significantly higher than their carrying amount: in particular, the sensitivity analyses carried out against this backdrop confirmed the full recoverability of the values even in the event of significant reductions in expected cash flows or a significant increase in discount rates. Similarly, the development of alternative scenarios involving a slippage in the recovery, reflecting the current degree of uncertainty about future economic prospects, also revealed the presence of significant headroom for all CGUs.

The account “software development” increased approx. Euro 2.3 million for investments and decreased Euro 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 0.5 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”).

The Group has applied the practical expenditures provided for lease reductions granted by landlords that are a direct result of the Covid-19 outbreak.

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Right-of-use	23,119	22,082	1,037
<b>Total right-of-use</b>	<b>23,119</b>	<b>22,082</b>	<b>1,037</b>

The changes in the original cost of the right-of-use were as follows:

	2021	2020
<b>Historic cost at 01.01</b>	<b>46,060</b>	<b>39,330</b>
<i>Investments and renovations</i>	7,538	12,802
<i>Disposals and other changes</i>	(2,894)	(6,072)
<i>Write-downs</i>	-	-
<b>Historic cost at 31.12.</b>	<b>50,704</b>	<b>46,060</b>

The changes in the relative accumulated depreciation provisions were as follows:

	2021	2020
<b>Acc. Deprec. at 01.01</b>	<b>(23,979)</b>	<b>(21,264)</b>
<i>Depreciation</i>	(5,594)	(5,155)
<i>Disposals and other changes</i>	1,987	2,440
<b>Acc. Deprec. at 31.12.</b>	<b>(27,585)</b>	<b>(23,979)</b>

The movements in the net book value of the right-of-use is shown below:

	2021	2020
<b>Net book value at 01.01</b>	<b>22,082</b>	<b>18,066</b>
<i>Investments and renovations</i>	7,538	12,802
<i>Disposals and other changes</i>	(907)	(3,631)
<i>Depreciation</i>	(5,594)	(5,155)
<b>Net book value at 31.12.</b>	<b>23,119</b>	<b>22,082</b>

### 23. GOODWILL

	December 31, 2021	December 31, 2020	Change
Goodwill	11,840	11,907	(67)
<b>Goodwill</b>	<b>11,840</b>	<b>11,907</b>	<b>(67)</b>

The account “goodwill” includes the goodwill arising on the business combination with a Spanish licensee (totalling Euro 6.7 million) and the French licensee (Euro 1.2 million), goodwill for Euro 3.4 million following the acquisition of the French Group Kappa Europe, and goodwill paid for the acquisition of retail outlets, known as key money (Euro 0.5 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, 2021.

#### 24. **PROPERTY, PLANT AND EQUIPMENT**

	December 31, 2021	December 31, 2020	Change
Property	36,537	34,747	1,790
Furniture and other assets	8,029	8,242	(213)
Plant & machinery	787	789	(2)
EDP	1,752	1,690	62
Industrial & commercial equipment	171	222	(51)
<b>Total property, plant and equipment</b>	<b>47,276</b>	<b>45,690</b>	<b>1,586</b>

The changes in the historical cost of property, plant and equipment were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Historic cost at 01.01.2020</b>	<b>37,383</b>	<b>22,590</b>	<b>2,636</b>	<b>15,812</b>	<b>1,194</b>	<b>79,615</b>
<i>Additions</i>	<i>1,476</i>	<i>1,447</i>	<i>280</i>	<i>741</i>	<i>57</i>	<i>4,001</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(126)</i>	<i>-</i>	<i>(85)</i>	<i>-</i>	<i>(211)</i>
<i>Change in consolidation scope</i>	<i>13,795</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>13,795</i>
<b>Historic cost As at 31.12.2020</b>	<b>52,654</b>	<b>23,908</b>	<b>2,916</b>	<b>16,471</b>	<b>1,251</b>	<b>97,200</b>
<i>Additions</i>	<i>3,217</i>	<i>1,405</i>	<i>289</i>	<i>956</i>	<i>22</i>	<i>5,889</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(418)</i>	<i>-</i>	<i>(149)</i>	<i>-</i>	<i>(567)</i>
<b>Historic cost As at 31.12.2021</b>	<b>55,871</b>	<b>24,895</b>	<b>3,205</b>	<b>17,278</b>	<b>1,273</b>	<b>102,522</b>

The changes in the relative accumulated depreciation provisions were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Acc. Deprec. at 01.01.2020</b>	<b>(16,692)</b>	<b>(14,324)</b>	<b>(1,848)</b>	<b>(14,032)</b>	<b>(958)</b>	<b>(47,854)</b>
<i>Depreciation</i>	<i>(1,216)</i>	<i>(1,448)</i>	<i>(276)</i>	<i>(780)</i>	<i>(71)</i>	<i>(3,791)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>103</i>	<i>(3)</i>	<i>34</i>	<i>-</i>	<i>134</i>
<b>Acc. Deprec. As at 31.12.2020</b>	<b>(17,908)</b>	<b>(15,669)</b>	<b>(2,127)</b>	<b>(14,778)</b>	<b>(1,029)</b>	<b>(51,511)</b>
<i>Depreciation</i>	<i>(1,427)</i>	<i>(1,483)</i>	<i>(291)</i>	<i>(858)</i>	<i>(72)</i>	<i>(4,131)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>283</i>	<i>-</i>	<i>113</i>	<i>-</i>	<i>396</i>
<b>Acc. Deprec. As at 31.12.2021</b>	<b>(19,335)</b>	<b>(16,866)</b>	<b>(2,417)</b>	<b>(15,526)</b>	<b>(1,101)</b>	<b>(55,246)</b>

The net book value of property, plant and equipment was as follow:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial & commercial equipment	Total
<b>Opening net book value at 01.01.2020</b>	<b>20,691</b>	<b>8,266</b>	<b>788</b>	<b>1,780</b>	<b>236</b>	<b>31,761</b>
<i>Additions</i>	<i>1,476</i>	<i>1,447</i>	<i>280</i>	<i>741</i>	<i>57</i>	<i>4,001</i>
<i>Depreciation</i>	<i>(1,216)</i>	<i>(1,448)</i>	<i>(276)</i>	<i>(780)</i>	<i>(71)</i>	<i>(3,791)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(22)</i>	<i>(3)</i>	<i>(51)</i>	<i>-</i>	<i>(76)</i>
<i>Change in consolidation scope</i>	<i>13,795</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>-</i>	<i>13,795</i>
<b>Closing net book value As at 31.12.2020</b>	<b>34,747</b>	<b>8,242</b>	<b>789</b>	<b>1,690</b>	<b>222</b>	<b>45,690</b>
<i>Additions</i>	<i>3,217</i>	<i>1,405</i>	<i>289</i>	<i>956</i>	<i>22</i>	<i>5,889</i>
<i>Depreciation</i>	<i>(1,427)</i>	<i>(1,483)</i>	<i>(291)</i>	<i>(858)</i>	<i>(72)</i>	<i>(4,131)</i>
<i>Disposals and other changes</i>	<i>-</i>	<i>(136)</i>	<i>-</i>	<i>(36)</i>	<i>-</i>	<i>(171)</i>
<b>Closing net book value As at 31.12.2021</b>	<b>36,537</b>	<b>8,029</b>	<b>787</b>	<b>1,752</b>	<b>171</b>	<b>47,276</b>

“Property” includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.p.A. and at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company, adjacent buildings owned by Basic Village S.p.A. acquired in late 2016, and the property complex at Via dell’Aprica, No. 12 in Milan, owned by Aprica Costruzione S.r.l, Milan, a company which was acquired in January 2020, and merged into Basic Village S.p.A. in July 2020.

Total gross investments in the year amounted to Euro 5.9 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, 2021	Net value at December 31, 2020
Furniture and other assets	1,248	1,410
EDP	121	105
Plant	12	15
Transport vehicles	46	86
<b>Total</b>	<b>1,427</b>	<b>1,616</b>

## 25. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	December 31, 2021	December 31, 2020	Change
Investments in:			
– Other companies	338	-	338
<i><b>Total investments</b></i>	<b>338</b>	-	<b>338</b>
Other receivables, guarantees	761	765	(4)
<i><b>Total financial receivables</b></i>	<b>761</b>	<b>765</b>	<b>(4)</b>
<b>Total investments &amp; other financial assets</b>	<b>1,099</b>	<b>765</b>	<b>334</b>

“Other receivables, guarantees” principally refer to deposits on real estate property.

“Investments in other companies” concerns the investment acquired in December 2021 by BasicItalia S.p.A. in Cecilia S.r.l.

“Other receivables, guarantees” principally refer to deposits on real estate property.

## 26. INVESTMENTS IN JOINT VENTURES

	December 31, 2021	December 31, 2020	Change
Investments in:			
- Joint ventures	191	192	(1)
<b>Total investments in joint ventures</b>	<b>191</b>	<b>192</b>	<b>(1)</b>

Investments in joint ventures concern the value of the investment in Fashion S.r.l., held 50%. The company owns the Sabelt brand. From January 1, 2014, this category of investment has been valued at equity, as per IFRS 11.

**27. DEFERRED TAX ASSETS**

	December 31, 2021	December 31, 2020	Change
Deferred tax assets	7,737	3,419	4,318
<b>Total deferred tax assets</b>	<b>7,737</b>	<b>3,419</b>	<b>4,318</b>

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes.

The individual effects are reported in the table below:

	December 31, 2021			December 31, 2020			Change 2021/2020
	Amount of temporary differences	Rate % (* )	Tax effect	Amount of temporary differences	Rate %	Tax effect	
<i>Deferred tax assets:</i>							
- Excess doubtful debt provision not deductible	(15,270)	23.95%	(3,658)	(12,327)	24.01%	(2,960)	(698)
- Inventory obsolescence provision	(4,624)	24.00%	(1,110)	(4,559)	24.44%	(1,114)	4
- Prudent exchange differences, net	-	24.00%		(941)	24.00%	(226)	226
- Misc. charges temporarily non-deductible	(1,533)	25.69%	(394)	(3,256)	27.61%	(899)	505
- Effect IAS 19 – Employee Benefits	(680)	24.53%	(167)	(574)	24.57%	(141)	(26)
- Effect IFRS 16 - lease payables	(860)	26.76%	(231)	(1,075)	27.92%	(300)	70
- Effect IFRS 39 - financial instruments.	-	24.00%	-	(2,240)	24.00%	(553)	553
<b>Total</b>	<b>(22,968)</b>		<b>(5,559)</b>	<b>(24,972)</b>		<b>(6,193)</b>	<b>634</b>
<i>Deferred tax liabilities:</i>							
- Prudent exchange differences, net	747	24.00%	179	-		-	179
- Amortisation/Depreciation tax basis	5,254	28.05%	1,474	1,215	28.44%	346	1,129
- Statutory and fiscal differences on depreciation and valuations	13,990	28.07%	3,927	14,774	28.06%	4,145	(218)
- Effect IAS 38 – plant costs	18	27.90%	5	17	27.90%	5	-
- Effect IFRS9 – financial instruments	1,554	24.34%	378	-	%	-	378
- Effect IFRS 3 – goodwill amortisation	2,264	27.90%	632	2,105	27.95%	588	43
<b>Total</b>	<b>23,826</b>		<b>6,595</b>	<b>18,111</b>		<b>5,084</b>	<b>1,510</b>
Losses carried forward	(8,961)	25.92%	(2,322)	(8,961)	25.77%	(2,309)	(13)
<b>Deferred tax liabilities (asset) net</b>	<b>(7,959)</b>		<b>(1,287)</b>	<b>(15,822)</b>		<b>(3,418)</b>	<b>2,133</b>
Of which:							
Deferred tax assets			7,737			8,503	(766)
Deferred tax liabilities			6,450			5,085	1,365

(\*) 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 3.6 million), non-deductible inventory obsolescence provisions (approx. Euro 1.1 million), temporarily non-deductible charges (Euro 0.4 million) and the effects deriving from the application of IFRS 16 (Euro 0.3 million), in addition to Euro 2.3 million of unlimited tax losses carried forward by the Kappa Europe Group.

Deferred tax liabilities principally refer to the tax effects deriving from the application of the IFRS international accounting standards, with particular reference to the accounting of amortisation on own brands solely for tax purposes (Euro 1.5 million), differences between statutory and fiscal amortisation (Euro 3.9 million) and goodwill amortisation fiscally deductible (Euro 0.6 million).

Regarding the changes introduced by the Budget Law 2022 (Law 234/2021) with reference to the fiscal realignment of Brands, the Group will deduct the higher value on a straight-line basis over a period of 50 years.

## 28. NET INVENTORIES

	December 31, 2021	December 31, 2020	Change
Raw materials, ancillaries and consumables	87	90	(3)
Finished products and goods	68,505	67,194	1,311
Inventory obsolescence provision	(4,970)	(5,090)	120
<b>Total net inventories</b>	<b>63,622</b>	<b>62,194</b>	<b>1,428</b>

Finished inventories include goods in transit at the balance sheet date which at December 31, 2021 amount to approx. Euro 13.6 million compared to Euro 3.2 million at December 31, 2020, goods held at Group brand stores for Euro 6.1 million, compared to Euro 8.2 million at December 31, 2020 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 3.9 million compared to Euro 6.9 million at December 31, 2020.

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:

	2021	2020
<b>Inventory obsolescence provision at 01.01</b>	<b>5,090</b>	<b>5,293</b>
Provisions in the year	1,207	5,306
Utilisations	(1,327)	(5,509)
<b>Inventory obsolescence provision at 31.12</b>	<b>4,970</b>	<b>5,090</b>

## 29. TRADE RECEIVABLES

	December 31, 2021	December 31, 2020	Change
Gross value	71,069	68,977	2,092
Doubtful debt provision	(17,949)	(15,927)	(2,022)
<b>Total trade receivables</b>	<b>53,120</b>	<b>53,050</b>	<b>70</b>

“Trade receivables” refer for Euro 40.7 million to goods sold by proprietary licensees compared to Euro 47.5 million at December 31, 2020 against which a doubtful debt provision was recorded of Euro 8.7 million (Euro 8.6 million at December 31, 2020) and for Euro 29.8 million to royalties and sourcing commissions (Euro 21.3 million at December 31, 2020) against which a doubtful debt provision was recorded of Euro 9.2 million (Euro 7.3 million at December 31, 2020).

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:

	2021	2020
<b>Doubtful debt provision at 01.01</b>	<b>15,927</b>	<b>9,705</b>
Initial balance from acquisition	-	-
Provisions in the year	3,254	7,815
Utilisations	(1,232)	(1,593)
<b>Doubtful debt provision at 31.12</b>	<b>17,949</b>	<b>15,927</b>

The utilisations of the provision are related to the write off of long outstanding amounts and are made when the legal documentation of the loss has been received. Provisions are made based on an examination of individual credit positions and the calculation of expected losses based on statistical and parametric elements. Overdue receivables not written down are normally recovered in the period immediately after the maturity date and in any case are subject to specific risk evaluations.

### 30. OTHER CURRENT ASSETS

	December 31, 2021	December 31, 2020	Change
Tax receivables	7,856	7,520	336
Other receivables	3,383	2,743	640
<b>Total other current assets</b>	<b>11,239</b>	<b>10,263</b>	<b>976</b>

Current “tax receivables” principally relate to withholding taxes on royalties for Euro 4.5 million, VAT receivables for Euro 2.6 million, IRES and IRAP receivables of Euro 0.2 million, in addition to minor amounts.

“Other receivables” mainly includes advances to suppliers and sundry receivables. The account also includes the premium paid to the insurance company against Directors Termination Indemnities, to be paid to the Chairman of the Board of Directors, as approved by the Board of Directors on April 19, 2019, on the indication of the Shareholders’ AGM and the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, on conclusion of his role for Euro 1.5 million.

### 31. PREPAYMENTS

	December 31, 2021	December 31, 2020	Change
Expenses pertaining to future collections	4,096	4,663	(567)
Sponsorship and media	6,018	6,128	(110)
Others	2,540	2,642	(102)
<b>Total prepayments</b>	<b>12,654</b>	<b>13,433</b>	<b>(779)</b>

The “expenses pertaining to future collections” include the creative personnel costs, samples, merchandising costs and sales catalogues, relating to new Collections to be brought to the market, as well as presentations costs for the relative sales meetings.

The “sponsorship costs” relate to the annual amount contractually defined by the parties, which is partially invoiced in advance during the sports season, compared to the timing of the services.

The “other prepayments” include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group.

### 32. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020	Change
Bank and postal deposits	28,425	33,565	(5,141)
Cash in hand and similar	123	87	36
<b>Total cash and cash equivalents</b>	<b>28,548</b>	<b>33,652</b>	<b>(5,105)</b>

“Bank deposits” refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: BasicItalia S.p.A. (Euro 12.7 million), companies of the Kappa Europe Group (Euro 9 million), BasicRetail S.r.l. (Euro 0.6 million), BasicNet S.p.A. (Euro 1.4 million), Basic Properties America Inc. (Euro 2.8 million), K-Way S.p.A. (Euro 0.4 million), K-WayRetail S.r.l. (Euro 0.6 million) and, for the difference, the other Group companies (Euro 0.8 million).

### 33. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2021	December 31, 2020	Change
Derivative financial instruments	1,596	-	1,596
<b>Total</b>	<b>1,596</b>	<b>-</b>	<b>1,596</b>

Reference should be made to Note 46 below for further details.

**SHAREHOLDERS' EQUITY AND LIABILITIES****34. SHAREHOLDERS' EQUITY**

	December 31, 2021	December 31, 2020	Change
Share capital	31,717	31,717	-
Treasury shares	(30,648)	(24,679)	(5,969)
Other reserves	112,423	103,658	8,765
Net Profit	20,330	8,581	11,749
<b>Total Shareholders' Equity</b>	<b>133,822</b>	<b>119,277</b>	<b>14,545</b>

The “share capital” of the Parent Company, amounting to Euro 31,716,673.04, is divided into 60,993,602 ordinary shares of Euro 0.52 each, fully paid-in.

In May, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 8, 2021, in relation to the allocation of the 2020 net profit, a dividend of Euro 0.06 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 3.1 million.

During the year 1,218,000 treasury shares were acquired in accordance with Shareholders' Meetings motions, which, together with the 8,500,000 shares held at the end of the previous year, totalled 9,718,000 at December 31, 2021 (15.93% of the Share Capital).

The account “other reserves” comprises:

- The “*cash flow hedge reserve*”, positive for Euro 1.2 million, changed in the year due to the fair value measurement of cash flow hedges held at December 31, 2021;
- The “*re-measurement reserve for defined benefit plans (IAS 19)*”, negative for Euro 352 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 732 thousand;
- the “*currency conversion reserve*”, positive for Euro 1.2 million, entirely concerns conversion differences into Euro of the financial statements of the US, Asian, Swiss and English subsidiaries;
- “*retained earnings*” amount to Euro 111.2 million, increasing compared to the end of the previous year by Euro 5.4 million.

The reconciliation at December 31, 2021 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, 2021	December 31, 2020	Change
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	2,367	(1,606)	3,973
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	1,426	(752)	2,178
<b><i>Effective part of the Gains/losses on cash flow hedge instruments</i></b>	<b>3,793</b>	<b>(2,358)</b>	<b>6,151</b>
Re-measurement of defined benefit plans (IAS 19) (*)	(108)	6	(114)
Gains/(losses) from translation of accounts of foreign subsidiaries	628	(785)	1,413
Tax effect relating to the Other items of the comprehensive income statement	(905)	582	(1,487)
<b>Total other gains/(losses), net of tax effect</b>	<b>3,408</b>	<b>(2,555)</b>	<b>5,963</b>

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

The tax effect relating to Other gains/(losses) is as follows:

	December 31, 2021			December 31, 2020		
	Gross value	Tax Charge/Benefit	Net value	Gross value	Tax Charge/Benefit	Net value
Effective part of Gains/losses on cash flow hedge instruments	3,793	(931)	2,862	(2,341)	584	(1,757)
Gains/(losses) for re-measurement of defined benefit plans (IAS 19) (*)	(108)	26	(82)	(11)	(2)	(13)
Gains/(losses) from translation of accounts of foreign subsidiaries	628	-	628	(785)	-	(785)
<b>Total other gains/(losses), net of tax effect</b>	<b>4,313</b>	<b>(905)</b>	<b>3,408</b>	<b>(3,137)</b>	<b>582</b>	<b>(2,555)</b>

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

**35. PROVISIONS FOR RISKS AND CHARGES**

	December 31, 2021	December 31, 2020	Change
Provisions for risks and charges	590	229	361
<b>Total provisions for risks and charges</b>	<b>590</b>	<b>229</b>	<b>361</b>

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR) in BasicItalia S.p.A. and K-Way S.p.A and restructuring provisions for minor companies of the Kappa Europe S.a.s. Group.

**36. LOANS**

The changes in the loans during the year are shown below:

	31/12/2020	Repayments	New Loans	31/12/2021	Short-term portion	Medium/long-term portion
Unicredit property loan (Basic Village)	2,100	(1,200)	-	900	900	-
Intesa mortgage loan (Cebrosa)	1,323	(407)	-	916	407	509
BNL loan	3,125	(1,250)	-	1,875	1,250	625
MPS loan (Sebago)	11,375	(3,250)	-	8,125	3,250	4,875
Banco BPM loan	505	(505)	-	-	-	-
Banco BPM Unsecured Loan (Kappa Japan brand)	6,000	-	-	6,000	375	5,625
Funding FCG L.662/96 (BasicNet)	5,500	-	-	5,500	344	5,156
Funding FCG L.662/96 (BasicItalia)	5,500	-	-	5,500	344	5,156
Funding FCG L.662/96 (K-WayRetail)	5,500	(275)	-	5,225	1,100	4,125
Financing FCG L.662/96 (Kappa Japan brand)	5,500	-	-	5,500	-	5,500
BPI KFF loan	225	(225)	-	-	-	-
BPI KE loan	1,665	(333)	-	1,334	333	1,001
UBS "Covid-19" subsidised loan	289	(289)	-	-	-	-
Abanca "Covid-19" subsidised loan	200	-	-	200	33	167
KSI "Covid-19" subsidised loan	420	-	-	420	91	329
Santander KSI loans	43	(26)	-	17	17	-
Banco Popular loan	50	(50)	-	-	-	-
Intesa KFF loan	2,800	(800)	-	2,000	800	1,200
<b>Balance</b>	<b>52,121</b>	<b>(8,610)</b>	<b>-</b>	<b>43,512</b>	<b>9,243</b>	<b>34,268</b>

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2021	December 31, 2020	Change
Medium/long term loans:			
- due within 5 years	34,268	38,321	(4,053)
- due beyond 5 years	-	5,388	(5,388)
<b><i>Total medium/long-term loans</i></b>	<b><i>34,268</i></b>	<b><i>43,709</i></b>	<b><i>(9,441)</i></b>
Finance lease payables	515	678	(162)
<b><i>Total leasing payables (maturity within 5 years)</i></b>	<b><i>515</i></b>	<b><i>678</i></b>	<b><i>(162)</i></b>
<b>Total loans</b>	<b>34,783</b>	<b>44,387</b>	<b>(9,604)</b>

The “Basic Village Turin Unicredit property loan” granted by the Unicredit Group was for the acquisition of the building “Basic Village” at Largo M. Vitale 1, Turin. The loan was granted in September 2007 for Euro 18 million at a variable rate converted into a fixed rate (Note 46). Against this loan there is a mortgage on the property and a surety from the parent company BasicNet S.p.A. with maturity in September 2022.

The “Intesa Cebrosa Loan” granted by Banca Intesa Sanpaolo S.p.A. was for the purchase of the building “BasicItalia” at Strada Cebrosa 106, Turin. The loan was granted in October 2008 for Euro 6 million with repayment of the capital in quarterly constant instalments and maturity at September 2023. The loan is secured by a mortgage on the building and a guarantee from the parent company BasicNet S.p.A. In 2020, the loan was transferred to BasicVillage as part of the spin-off of BasicItalia's real estate business unit.

The “BNL Loan” was disbursed in November 2016 for Euro 7.5 million; it has six-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 95 basis points. The contractual conditions do not include financial covenants. The loan contract stipulates the maintenance of a number of ownership conditions concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a second level mortgage on the BasicVillage building in Turin and a first level mortgage on the adjacent building, acquired at the end of the year.

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of TOS S.r.l., owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

The “Banco BPM Loan” was disbursed in February 2017 to BasicItalia S.p.A. for Euro 2 million; it has four-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 70 basis points. It was repaid in full during the year.

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 46). The loan funded Basic Trademark's purchase of the Kappa Japan brand. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%, in addition to the constraint of maintaining the Group's total shareholding in Basic Trademark.

For the loans disbursed in 2020 under the SMEs Guarantee Fund, the following should be noted:

1. BasicNet: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly instalments, starting from December 2022, at a fixed rate. The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed;
2. BasicItalia: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly instalments, starting from December 2022, at a fixed rate. The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed; The financing is backed by an additional guarantee from BasicNet;
3. K-WayRetail: BPM Banco Loan issued in September 2020 for Euro 5.5 million (issued to BasicRetail and transferred to K-WayRetail as part of the spin-off outlined at Note 48) and is of six-year duration, repayable in quarterly instalments from December 2021 at a quarterly Euribor rate plus 110 basis points (Note 46). The contractual terms provide that the use of the related cash is restricted to the payment of suppliers for the purchase of services and goods and salaries to employees. The Fund's guarantee covers 90% of the amount disbursed;
4. BasicTrademark: BPM Banco Loan issued in October 2020 for Euro 5.5 million and is of six-year duration, repayable in quarterly instalments from January 2023 at a quarterly Euribor rate plus 125 basis points (Note 46). The contractual terms provide that the use of the relative liquidity is tied to the purchase of the Kappa Japan brand. The Fund's guarantee covers 90% of the amount disbursed;

The following medium-term loans of the Kappa Europe Group prior to the acquisition of control by BasicItalia are still outstanding:

1. BPI France export loan to Kappa Europe, with an initial value of Euro 2 million, outstanding for Euro 1.3 million and Euro 1.0 million of which medium-term, 3.72% interest rate;
2. BPI France loan to Kappa France (subsidiary of Kappa Europe), with an initial value of Euro 1.5 million, fully repaid in the year, 3.95% interest rate;

The "Intesa KFF Loan" was disbursed in 2019 for Euro 3.6 million to Kappa France by the French branch of Banca Intesa Sanpaolo S.p.A. The unsecured loan is repayable over 5 years in half-yearly instalments, 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 and Swiss subsidiaries, individually of insignificant amounts, are generally in line with those of the Group's medium/long-term debt.

At December 31, 2021, 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 297.7 million, broken down as follows:

<i>(in Euro millions)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Cash facility	211.4	215.3
Factoring	14.2	14.2
Letters of credit and swaps	27.6	29.9
Medium/long term loans	43.5	54.2
Property leases	1.0	1.0
<b>Total</b>	<b>297.7</b>	<b>314.5</b>

The average interest paid for the BasicNet Group in the year is reported in Note 37.

### 37. BANK PAYABLES

	December 31, 2021	December 31, 2020	Change
Bank payables due within one year:			
- short-term portion of medium/long-term loans	9,243	8,412	831
- bank overdrafts and bills	9,313	19,929	(10,616)
- import advances	12,910	19,989	(7,079)
<b>Total bank payables</b>	<b>31,466</b>	<b>48,330</b>	<b>(16,864)</b>

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, 2021 is as follows:

	Interest Rate		Total
	Fixed	Variable	
Short-term	10,061	21,405	31,466
Medium/long term	11,809	22,974	34,783
<b>Total</b>	<b>21,871</b>	<b>44,379</b>	<b>66,249</b>

The average interest rate on medium/long term loans was 1.27%.

### 38. PAYABLES FOR RIGHT-OF-USE

	December 31, 2021	December 31, 2020	Change
Payables for rights-of-use	24,041	23,097	944
<b>Total payables for right-of-use</b>	<b>24,041</b>	<b>23,097</b>	<b>944</b>

Payables for right-of-use are recognised from 2021 in accordance with IFRS 16. In the current year, new contracts worth Euro 7.7 million have been signed, and payables for Euro 5.1 million settled. Following rent concessions obtained from lessors as a result of the Covid-19 lockdown, the Group restated right-of-use payables, reporting a reduction of Euro 0.5 million.

**39. EMPLOYEE AND DIRECTOR BENEFITS**

The account includes the post-employment benefits for employees of Euro 3.6 million and the termination indemnities of Directors of Euro 1.3 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2021			December 31, 2020		
	Defined benefit plans	Defined contrib. plans	Total	Defined benefit plans	Defined contrib. plans	Total
<b>Change in the balance sheet:</b>						
Net liabilities recognized at begin. of year	3,229	-	3,229	3,021	54	3,074
Change in consolidation scope	-	-	-	-	-	-
Interest	15	-	15	28	-	28
Pension cost, net of withholdings	367	965	1,332	380	924	1,304
Benefits paid	(151)	-	(151)	(247)	-	(247)
Payments to the INPS treasury fund	-	(690)	(690)	-	(683)	(683)
Payments to other supp. pension fund	-	(275)	(275)	-	(241)	(241)
Actuarial gain/(losses)	108	-	108	(7)	-	(7)
<b>Net liabilities recognised in the accounts</b>	<b>3,568</b>	<b>-</b>	<b>3,568</b>	<b>3,175</b>	<b>54</b>	<b>3,229</b>
<b>Change in the income statement:</b>						
Interest	15	-	15	28	-	28
Pension Cost	367	965	1,332	380	924	1,304
<b>Total charges/(income) for post-employment benefits</b>	<b>383</b>	<b>965</b>	<b>1,348</b>	<b>408</b>	<b>924</b>	<b>1,332</b>

The account “defined benefit plans” includes the present value of the liabilities in the Italian companies of the Group towards employees in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Group there are no other defined benefit plans.

The actuarial valuation of the Post-Employment Benefit is prepared based on the “matured benefits” method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The revaluations of the amounts at the option date for all of the companies and the benefits matured and not allocated to complementary pension schemes for businesses with less than 50 employees are recorded under post-employment benefit. In accordance with IAS 19, this provision was recorded as a “Defined benefit plans”. The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature.

The sensitivity analysis carried out on the basis of the following variables: 1) inflation rate +0.25%/-0.25%, 2) discount rate +0.25%/-0.25%, 3) turnover rate +1%/-1% shows non-material impacts of less than Euro 89 thousand.

The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2021	December 31, 2020
discount rate	1.09%	0.53%
inflation rate:	1.75%	0.80%
annual increase in post-employment benefit	2.81%	2.10%
annual increase in salaries:	1.00%	1.00%

The change in the annual discount rate reflects the decrease in the yields of the “corporate bonds” of the basket utilised (Iboxx Eurozone Corporate) at the balance sheet date.

#### 40. DEFERRED TAX LIABILITIES

	December 31, 2021	December 31, 2020	Change
Deferred tax liabilities	6,451	-	6,451
<b>Total deferred tax liabilities</b>	<b>6,451</b>	<b>-</b>	<b>6,451</b>

Reference should be made to Note 47 above for further details.

#### 41. OTHER NON-CURRENT LIABILITIES

	December 31, 2021	December 31, 2020	Change
Guarantee deposits	1,368	1,103	265
Medium/long term tax payables	-	278	(278)
<b>Total other non-current liabilities</b>	<b>1,368</b>	<b>1,381</b>	<b>(13)</b>

The “guarantee deposits” include the guarantees received from licensees, to cover the minimum royalties guaranteed contractually.

#### 42. TRADE PAYABLES

“Trade payables” are payable in the short-term and increased by approx. Euro 10.6 million compared to December 31, 2020, due to the increased procurement of goods during the last quarter compared to the same period of the previous year. 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.

**43. TAX PAYABLES**

The breakdown of this account is shown in the following table:

	December 31, 2021	December 31, 2020	Change
Tax payables:			
IRES	5,059	2,862	2,197
Employee contributions	530	440	89
Group VAT	2,775	1,480	1,296
Others	767	1,023	(256)
<b>Total tax payables</b>	<b>9,131</b>	<b>5,805</b>	<b>3,326</b>

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date.

Please refer to Note 41 for comments on non-current tax payables.

**44. OTHER CURRENT LIABILITIES**

	December 31, 2021	December 31, 2020	Change
Accrued expenses	827	744	83
Payables to employees and directors	3,995	4,332	(337)
Other payables	4,151	6,944	(2,793)
<b>Total other current liabilities</b>	<b>8,973</b>	<b>12,020</b>	<b>(3,047)</b>

The account “accrued expenses” principally includes deferred employee remuneration.

“Payables to employees and Directors” mainly concern salaries and expenses for reimbursement settled in the subsequent month.

“Other payables” at December 31, 2021 principally include social security charges (Euro 2.7 million), royalty payments on account from licensees (Euro 522 thousand) and other miscellaneous amounts (Euro 960 million).

**45. DEFERRED INCOME**

	December 31, 2021	December 31, 2020	Change
Royalties	1,247	-	1,247
Sponsored goods revenues	3,733	4,418	(685)
Other deferred income	724	856	(132)
<b>Total deferred income</b>	<b>5,703</b>	<b>5,274</b>	<b>429</b>

The “sponsored goods revenues” relates to the invoicing of sponsored merchandise, which contractually partially refers to the period after the reporting date, with corresponding prepayments recorded under assets for sponsoring costs.

**46. DERIVATIVE FINANCIAL INSTRUMENTS**

	December 31, 2021	December 31, 2020	Change
Derivative financial instruments	42	2,240	(2,198)
<b>Total</b>	<b>42</b>	<b>2,240</b>	<b>(2,198)</b>

The account includes the market value at December 31, 2021 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 2022 and 2023, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At December 31, 2021, commitments were in place on estimated future purchases, for USD 33.2 million, broken down into 11 transactions with differing maturities: 7 transactions in the first half of 2022 (for USD 20.3 million), 4 transactions in the second half of 2022 (for USD 12.8 million) at variable exchange rates set between USD/Euro 1.113 and USD/Euro 1.230. A negative equity reserve was recorded of Euro 1.2 million, net of the tax effect. During 2021, forward purchase operations were utilised for approx. USD 42.4 million and the relative effects were recognised to the income statement.

In the case of the Interest Rate Swap (IRS) agreed by the Group, the specific hedge of the variable cash flow realised at market conditions, through the signing of the fix/flo IRS perfectly hedges the item to which the original cash flows stem, as in this case, and continues to be considered effective.

**47. 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. 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-compliant of the store owner. At December 31, 2021, the bank deposits of BasicItalia were restricted for Euro 16 thousand; guarantees were also provided on leasing amounting to Euro 389 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 19.9 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 11.4 million;
3. BasicRetail S.r.l: guarantees amounting to Euro 617 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 398 thousand;
4. K-WayRetail S.r.l: Euro 261 thousand for guarantees on leases issued in favour of the Company;
5. TOS 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.

#### **48. OPERATIONS UNDER COMMON CONTROL**

During the year, the Group completed the internal reorganisation of K-Way's operations, with its concentration within the company: this initiative, which does not entail any change in the Group's ownership structure or equity structure, supports a better focus on the brand.

In particular, the project involved

- the spin-off of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for K-Way brand stores, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff and the guaranteed loan granted in 2020 by Banco BPM) from BasicRetail S.r.l. to the newly established K-Way Retail S.r.l.;
- the renaming of BasicRetail Suisse S.A., the company operating the K-Way outlet in Mendrisio, to K-WayRetail Suisse S.A.;
- the conferment of the business unit relating to the management and development of the K-Way brand (including, among other things, the K-Way® brand, patents and moulds, models, warehouse samples and other activities linked to the business system, all contracts with commercial and production 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 K-Way S.p.A.;
- the spin-off of the business unit relating to the commercial activity (including, among other things, 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).

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.

#### **49. CLASSIFICATION OF THE FINANCIAL INSTRUMENTS AND RISK MANAGEMENT**

The principal risks and uncertainties of the Group activities are described in the Directors' Report.

The financial instruments of the BasicNet Group include:

- cash and cash equivalents and bank overdrafts;
- medium/long-term loans and lease financing;
- derivative financial instruments;
- trade payables and receivables.

It is recalled that the Group only subscribes to cash flow hedges, to hedge against interest and currency risks.

In accordance with the requirements of IFRS 7 in relation to financial risks, the types of financial instruments present in the financial statements, with indication of the valuation criteria applied, are reported below:

	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 31.12.2021
	Income Statement	Shareholders' Equity			
<b>Assets:</b>					
Equity invest. & other financial assets	-	-	-	1,099	1,099
Interests in joint ventures	-	-	-	191	191
Cash and cash equivalents	-	-	28,548	-	28,548
Trade receivables	-	-	63,622	-	63,622
Other current assets	-	-	11,239	-	11,239
Derivative financial instruments	-	1,596	-	-	1,596
<b>Liabilities:</b>					
Medium/long-term loans	-	-	31,466	-	31,466
Bank payables	-	-	34,783	-	34,783
Trade payables	-	-	66,517	-	66,517
Other current liabilities	-	-	8,973	-	8,973
Derivative financial instruments	-	42	-	-	42

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, 2021, unrealised exchange gains were recorded of Euro 1.2 million, while unrealised exchange losses were recorded of Euro 0.7 thousand, for a net exchange gain of Euro 0.5 million.

At the reporting date, there were 11 hedge transactions on US Dollar fluctuations, totalling USD 33.2 million; the relative effects are illustrated in the account “Derivative financial instruments”, in Note 46.

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, 2021 is shown below:

	<b>December 31, 2021</b>	<b>%</b>	<b>December 31, 2020</b>	<b>%</b>
Fixed rate	21,871	33.0%	32,016	34.5%
Variable rate	44,379	67.0%	60,702	65.5%
<b>Gross debt</b>	<b>66,249</b>	<b>100.00%</b>	<b>92,718</b>	<b>100.00%</b>

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Note 46. On the remaining part of the debt, the Group is exposed to fluctuation risks.

Where at December 31, 2021 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. 25.3% of trade receivables at December 31, 2021.

**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.

	<b>Book value</b>	<b>Future interest income/(expense)</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Beyond 5 years</b>
Unicredit BasicVillage Turin mortgage	900	27	927	927	-	-
Intesa mortgage loan (Cebrosa)	916	29	945	424	521	-
BNL loan	1,875	6	1,881	1,255	626	-
MPS (TOS) loan	8,125	127	8,252	3,329	4,924	-
Banco BPM unsecured loan						
Kappa Japan brand	6,000	278	6,278	72	5,075	1,132
FGC 662/96 loan K-WayRetail	5,225	126	5,351	1,146	4,205	-
Banco BPM loan Kappa Japan brand	5,500	183	5,683	59	5,625	-
FGC 662/96 loan BasicNet	5,500	168	5,668	402	5,266	-
FGC 662/96 loan BasicItalia	5,500	154	5,654	388	5,266	-
BPI KFF loan						
BPI KE loan	1,334	107	1,441	380	1,061	-
Subsidised loan						
"Covid 19" Abanca	200	4	204	36	168	-
Subsidised loan						
"Covid 19" KSI	420	19	439	99	339	-
Santander KSI loan	17	-	17	17	-	-
Intesa KFF loan	2,000	50	2,050	830	1,220	-
Lease payables	515	13	528	289	239	-
Right-of-use	24,041	1,023	25,064	6,465	14,461	4,137
<b>Total financial liabilities</b>	<b>68,069</b>	<b>2,314</b>	<b>70,383</b>	<b>16,120</b>	<b>48,995</b>	<b>5,269</b>

**Default and debt covenant risk**

The risk that the loans within the companies of the Group contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

The loans in place at the reporting date are not subject to financial covenants.

**50. INTERCOMPANY TRANSACTIONS AND TRANSACTIONS WITH RELATED COMPANIES**

The transactions between the Parent Company and its subsidiaries and between the subsidiaries were within the normal operating activities of the Group and were concluded at normal market conditions. The balance sheet and income statement effects of the transactions are eliminated in the consolidation process. Based on the information received from the companies of the Group there were no atypical or unusual operations.

BasicNet S.p.A., and, as consolidated companies, BasicItalia S.p.A., K-Way S.p.A., BasicRetail S.r.l., K-WayRetail S.r.l., Basic Village S.p.A., Jesus Jeans S.r.l., Basic Trademark S.r.l., TOS S.r.l. and BasicAir S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

Kappa Europe S.a.s. and, as subsidiaries, Kappa France S.a.s., and Sport Fashion Retail S.a.r.l. are part of the French tax consolidation regime pursuant to Articles 223-A/223-U of the General Tax Code (CGI).

The transactions with related parties for the year ended December 31, 2021 are reported below:

	Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	191	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	6,760

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

During the year, the entirety of the shares in Cecilia S.r.l., previously partially held by Marco Boglione e Figli S.r.l., a company that indirectly owns 33.128% of the share capital of BasicNet S.p.A., was acquired. This transaction, which is of minor significance for the purposes of the Related Parties Procedure, supported by an independent third party's appraisal, was approved by BasicNet S.p.A.'s Board of Directors.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l.. The agreement is for a duration until July 31, 2023 and provides for an exercise price of the Call Option by BasicWorld equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date.

#### 51. **SUBSEQUENT EVENTS**

They are described in the Directors' Report.

#### 52. **CONSOB COMMUNICATION NO. DEM/6064293 OF JULY 28, 2006**

Pursuant to Consob Communication DEM/6064293 of July 28, 2006, we report that there were no non-recurring significant operations during the year.

#### 53. **CONTINGENT LIABILITIES/ASSETS**

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

### 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, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. The company was requested to respond in court and the date for the first hearing is awaited.

#### *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 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. The defence panel submitted their counter-arguments to the appeal: the first hearing at the Regional Tax Commission, initially scheduled for July 2021, has been postponed until a date to be decided.

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.

The defence team is continuing talks with the offices concerned, and the next hearings, on the merits and for suspension, are set for March and May of this year.

Bankruptcy dispute*Giacomelli Procedure*

In May, the Supreme Court of Cassation filed its judgement of inadmissibility of the appeal lodged by BasicItalia S.p.A. against the decision of the Bologna Court of Appeal ordering the revocation of payments made by Giacomelli Sport S.p.A. for a total of Euro 1.6 million.

The Group, whilst firmly convinced of its good faith and the correctness of its actions, as, moreover, initially asserted by the first-degree decision of the Court of Rimini, promptly initiated contacts with the lawyers of the third party assignee of the various bankruptcy arrangements of the Giacomelli procedures in order to settle the balance due. In October, following negotiations with the third party assignee, the amount due to settle the matter was determined, and payment was made for a total of Euro 1.0 million, net of the final instalment payable to BasicItalia (Euro 550 thousand).

Therefore, all matters concerning the Giacomelli Group procedures and related disputes have been settled.

For the Board of Directors

**The Chairperson**

Marco Daniele Boglione

## ATTACHMENT 1

**DISCLOSURE PURSUANT TO ARTICLE 149 DUODECIIES OF THE CONSOB ISSUER'S REGULATION**

<b>Type of service</b>	<b>Service provider</b>	<b>Company</b>	<b>Fees earned 2021</b>
Audit	EY S.p.A.	Parent BasicNet S.p.A.	64,500
		Subsidiaries	214,875
	Network EY	Subsidiaries	-
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
		Subsidiaries	3,000
Other services	EY S.p.A.	Subsidiaries	7,000
<b>Total</b>			<b>289,375</b>

**ATTACHMENT 2**  
**Page 1 of 2**

**COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD**

	<b>Registered Office</b>	<b>Corporate purpose</b>	<b>Share capital</b>		<b>Parent company holding (%)</b>
<b><u>PARENT COMPANY</u></b>					
<b>BasicNet S.p.A.</b>					
<b><u>Directly held subsidiaries:</u></b>					
- BasicAir S.r.l. single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft	EURO	3,000,000	100
- BasicItalia S.p.A. single shareholder company	Turin (Italy)	Italian licensor, direct stores of BasicNet Group.	EURO	7,650,000	100
- Basic Trademark S.r.l.	Turin (Italy)	The Group's brand-owning company	EURO	1,250,000	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Management of the buildings at Turin - Largo M. Vitale, 1 and C.so Regio Parco, 43.	EURO	412,800	100
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD	10,000	100
- BasicNet Asia Company Limited	Ho Chi Minh City (Vietnam)	Control activity of the licensees and sourcing centre in Asia.	DONG	462,600,000	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Initially set up to manage the Jesus Jeans brand	EURO	10,000	100
- K-Way S.p.A. single shareholder company	Turin (Italy)	Company owning the K-Way brand and Licensee for the brand, direct points of sales for brand products to the public	EURO	10,050,000	100
<b><u>Indirectly held subsidiaries:</u></b>					
<b>- through Basic Trademark S.r.l.</b>					
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD	2,000	100
- TOS S.r.l. single shareholder company	Turin (Italy)	Owner of the brand Sebago.	EURO	10,000	100 <sup>(1)</sup>
<b>- through BasicItalia S.p.A.</b>					
- BasicRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of sales points.	EURO	10,000	100
- Cecilia S.r.l. single shareholder company	Turin (Italy)	Company welfare Company	EURO	125,000	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.

ATTACHMENT 2  
Page 2 of 2

## COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD

	Registered Office	Corporate purpose	Share capital	Parent company holding (%)
<b>Indirect subsidiaries (continued):</b>				
<b>- through K-WAY S.p.A.</b>				
- Kappa Europe S.a.s.	Saint Herblain (France)	Holding company of a Group of Kappa brand licensees in European territories	EURO 3,926,400	61
- K-WayRetail 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
- K-WayRetail SUISSE S.A. (formerly BasicRetail SUISSE S.A.)	Mendrisio (Switzerland)	Operation of retail outlets in Switzerland	CHF 100,000	100
<b>- through Kappa Europe SAS.</b>				
- Kappa France .S.a.s.	Saint Herblain (France)	Kappa licensees for the territories of France, Spain, Portugal and United Kingdom	EURO 2,060,000	100
- Sport Fashion Distribution UK Ltd	Manchester (United Kingdom)	Manages the distribution of Kappa Europe Group products in United Kingdom	GBP 1	100
- Sport Fashion Retail S.a.r.l.	Saint Herblain (France)	Company managing the outlet in Saint Herblain	EURO 5,000	100
- Preppy Cotton S.A.	Reidermoos (Switzerland)	Kappa licensee for Switzerland for the Kappa Europe Group	EURO 101,105	100
- Textiles D'Artois S.a.r.l.	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa Europe Group licensees	EURO 3,000	100
- Kappa Retail Monaco S.a.r.l.	Munich	Company that manages the store in Monaco	EURO 15,000	100
<b>- through Kappa France S.a.s.</b>				
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO 505,588	100

## COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered Office	Corporate purpose	Share capital	Share capital Holding (%)
<b>- through Basic Trademark S.r.l.</b>				
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under joint-venture	EURO 100,000	50 <sup>(2)</sup>

(2) the remaining 50% of the investment is held by the Marsiaj family

## ANNEX 3

**DECLARATION OF THE CONSOLIDATED FINANCIAL STATEMENTS PURSUANT TO  
ARTICLE 154-BIS PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF  
FEBRUARY 24, 1998 “FINANCIAL INTERMEDIATION ACT”**

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998:

the adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2021 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**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of  
BasicNet S.p.A.

## Report on the Audit of the Consolidated Financial Statements

### Opinion

We have audited the consolidated financial statements of BasicNet Group (the Group), which comprise the consolidated statement of financial position as at December 31, 2021, the consolidated income statements, the consolidated comprehensive income statement, the consolidated cash flows statement and the statement of changes in consolidated shareholders' equity for the year then ended, and explanatory notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Consolidated Financial Statements* section of our report. We are independent of BasicNet S.p.A. in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit Response
<p><b>Valuation of Trademarks and Goodwill</b></p> <p>At December 31, 2021 trademarks and goodwill amounted to € 59,3 million and € 11,8 million, respectively. Intangible Assets with indefinite useful life have been allocated to the Cash Generating Units (CGU) related to the Group's trademarks.</p> <p>The processes and methods used to evaluate and determine the recoverable amount of each CGU, in terms of value in use, are based on assumptions that might be complex and that, due to their nature, imply the use of judgement by Management, in particular with reference to the forecasting of future cash flows and the determination of the long-term growth and discount rates applied to the future cash flow forecasts.</p> <p>Considering the level of judgement and complexity of the assumptions applied in estimating the recoverable amount of trademarks and goodwill, we assessed that this area represents a key audit matter.</p> <p>Disclosures related to the valuation of trademarks and goodwill are provided in note 5 – "Accounting policies", note 21 – "Intangible Assets" and note 23 "Goodwill".</p>	<p>Our audit procedures in response to this key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>• the assessment of the processes implemented by the company in relation to the criteria and methodology of the impairment test;</li> <li>• the evaluation of the CGUs identified and the allocation of assets and liabilities to the carrying value of each CGU;</li> <li>• the assessment of the future cash flow forecasts, including comparisons to industry forecasts and sector data;</li> <li>• the assessment of the consistency of the cash flow forecasts for each CGU as compared to the Group's business plan;</li> <li>• the evaluation of historical accuracy of the forecasts by comparison to actual results;</li> <li>• the assessment of the long-term growth rates and discount rates.</li> </ul> <p>In performing our analysis, we involved our specialists in valuation techniques, who have performed independent calculations and sensitivity analyses of the key assumptions in order to determine which changes could materially affect the valuation of the recoverable amount.</p> <p>Lastly, we reviewed the adequacy of the disclosures provided in the explanatory notes in respect to the valuation of trademarks and goodwill.</p>

## Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

The Directors are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Group's ability to continue as a going concern and, when preparing the consolidated financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the consolidated financial statements on a going concern basis unless they either intend to liquidate the Parent Company BasicNet S.p.A. or to cease operations, or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Group's financial reporting process.

## Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern;

- we have evaluated the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- we have obtained sufficient appropriate audit evidence regarding the financial information of the entities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

#### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of BasicNet S.p.A., in the general meeting held on 27 April 2017, engaged us to perform the audits of the consolidated financial statements for each of the years ending December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Group in conducting the audit.

We confirm that the opinion on the consolidated financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of BasicNet S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the consolidated financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the consolidated financial statements with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

### Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of BasicNet S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of Group BasicNet as at December 31, 2021, including their consistency with the related consolidated financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the consolidated financial statements of BasicNet Group as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements. In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the consolidated financial statements of BasicNet Group as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of BasicNet S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Turin, 22 March 2022

EY S.p.A.  
Signed by: Stefania Boschetti, Auditor

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

**FINANCIAL STATEMENTS**  
**AND EXPLANATORY NOTES OF BASICNET S.P.A.**  
**AT DECEMBER 31, 2021**

**FINANCIAL STATEMENTS AND EXPLANATORY NOTES****BASICNET S.p.A. – INCOME STATEMENT***(in Euro)*

	<i>Note</i>	<b>FY 2021</b>	<b>FY 2020</b>	<b>Change</b>
Direct sales	<i>(8)</i>	2,415,827	3,798,951	(1,383,124)
Cost of sales	<i>(9)</i>	(2,644,896)	(3,460,807)	815,911
<b>GROSS MARGIN</b>		<b>(229,069)</b>	<b>338,144</b>	<b>(567,213)</b>
Royalties and sourcing commissions	<i>(10)</i>	30,131,326	31,215,201	(1,083,875)
Other income	<i>(11)</i>	7,372,266	7,699,890	(327,624)
Sponsorship and media costs	<i>(12)</i>	(1,147,700)	(1,289,846)	142,146
Personnel costs	<i>(13)</i>	(10,202,161)	(10,099,231)	(102,930)
Selling, general and administrative costs, royalties expenses	<i>(14)</i>	(15,695,801)	(19,741,715)	4,045,914
Amortisation & depreciation	<i>(15)</i>	(4,266,442)	(4,186,643)	(79,799)
<b>EBIT</b>		<b>5,962,420</b>	<b>3,935,800</b>	<b>2,026,620</b>
Net financial income (charges)	<i>(16)</i>	(209,758)	(991,998)	782,240
Dividends	<i>(17)</i>	-	1,097,851	(1,097,851)
Investment income/(charges)	<i>(18)</i>	60,903,373	-	60,903,373
<b>PROFIT BEFORE TAXES</b>		<b>66,656,034</b>	<b>4,041,653</b>	<b>62,614,381</b>
Income taxes	<i>(19)</i>	(966,839)	697,943	(1,664,782)
<b>NET PROFIT FOR THE YEAR</b>		<b>65,689,195</b>	<b>4,739,596</b>	<b>60,949,599</b>

**BASICNET S.p.A. – COMPREHENSIVE INCOME STATEMENT***(in Euro)*

	<i>Note</i>	<b>FY 2021</b>	<b>FY 2020</b>	<b>Change</b>
<b><i>Profit for the year (A)</i></b>		<b>65,689,195</b>	<b>4,739,596</b>	<b>60,949,599</b>
Effective portion of the Gains/(losses) on cash flow hedges		-	-	-
Re-measurement of post-employment benefits (IAS 19) (*)		(28,249)	(9,598)	(18,651)
Tax effect on other profits/(losses)		6,780	2,303	4,477
<b><i>Total other gains/(losses), net of tax effect (B)</i></b>	<i>(29)</i>	<b>(21,469)</b>	<b>(7,295)</b>	<b>(14,174)</b>
<b>Total Comprehensive Profit (A)+(B)</b>		<b>65,667,726</b>	<b>4,732,301</b>	<b>60,935,425</b>
- Owners of the parent		65,667,726	4,732,301	60,935,425
- Non-controlling interests			-	

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

**BASICNET S.p.A. – BALANCE SHEET***(in Euro)*

<b>ASSETS</b>	<i>Note</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Intangible assets	(20)	3,767,651	13,005,773
Rights-of-use	(21)	8,418,984	10,175,117
Plant, machinery and other assets	(22)	2,863,902	2,996,316
Equity invest. & other financial assets	(23)	105,854,734	35,804,734
Deferred tax assets	(24)	1,665,207	1,830,497
<b>Total non-current assets</b>		<b>122,570,480</b>	<b>63,812,437</b>
Net inventories	(25)	199,448	431,280
Trade receivables	(26)	6,411,795	7,233,885
Other current assets	(27)	71,122,949	74,316,003
Prepayments	(28)	3,715,270	3,986,225
Cash and cash equivalents	(29)	1,451,398	3,409,860
<b>Total current assets</b>		<b>82,900,861</b>	<b>89,377,253</b>
<b>TOTAL ASSETS</b>		<b>205,471,341</b>	<b>153,189,690</b>
<b>LIABILITIES</b>	<i>Note</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>
Share capital		31,716,673	31,716,673
Treasury shares		(30,647,910)	(24,678,900)
Other reserves		81,189,668	79,615,157
Net Profit		65,689,195	4,739,596
<b>TOTAL SHAREHOLDERS' EQUITY</b>	(30)	<b>147,947,626</b>	<b>91,392,526</b>
Loans	(31)	10,776,300	15,605,499
Payables for rights-of-use	(33)	8,440,693	10,195,406
Employee and Director benefits	(34)	2,416,260	2,036,244
Other non-current liabilities	(35)	983,052	907,990
<b>Total non-current liabilities</b>		<b>22,616,305</b>	<b>28,745,139</b>
Bank payables	(32)	12,854,505	18,501,192
Trade payables	(36)	4,322,269	5,949,967
Tax payables	(37)	5,025,122	2,977,048
Other current liabilities	(38)	12,377,626	5,617,818
Accrued expenses	(39)	327,887	6,000
<b>Total current liabilities</b>		<b>34,907,410</b>	<b>33,052,025</b>
<b>TOTAL LIABILITIES</b>		<b>57,523,715</b>	<b>61,797,164</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>205,471,341</b>	<b>153,189,690</b>

**BASICNET S.p.A. – CASH FLOW STATEMENT***(in Euro)*

	December 31, 2021	December 31, 2020
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(10,591,332)</b>	<b>(6,482,206)</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net Profit for the year	65,689,195	4,739,596
Amortisation & depreciation	4,266,442	4,186,643
Changes in working capital:		
- (increase) decrease in trade receivables	822,090	8,748,827
- (increase) decrease in inventories	231,832	60,331
- (increase) decrease in other receivables	4,129,298	(8,154,987)
- increase (decrease) in trade payables	(1,627,697)	(606,301)
- increase (decrease) in other payables	9,204,831	(3,550,527)
Net changes in employee and Director benefits	(119,984)	(30,906)
Others, net	(60,918,522)	(74,820)
	<b>21,677,485</b>	<b>5,317,856</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Investments in fixed assets:		
- tangible assets	(691,879)	(652,704)
- intangible assets	(1,873,308)	(3,252,830)
- financial assets	(9,146,628)	(18,135)
Realisable value for fixed asset disposals:		
- tangible assets	(19,153)	345
- intangible assets	9,415,796	948,984
- financial assets	-	510,000
	<b>(2,315,171)</b>	<b>(2,464,340)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Undertaking of finance leases	66,400	51,786
Reimbursement of finance leases	(51,849)	(47,345)
Medium/long term loans (repayments)	-	5,500,000
Repayments of medium/long term loans	(4,500,000)	(1,437,500)
Repayment of loans for rights-of-use	(1,732,265)	(1,635,660)
Acquisition of treasury shares	(5,969,010)	(3,021,821)
Distribution of dividends	(3,143,616)	(6,372,102)
	<b>(15,330,340)</b>	<b>(6,962,642)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>4,031,975</b>	<b>(4,109,127)</b>
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(6,559,357)</b>	<b>(10,591,332)</b>

Interest paid for the year amounts to respectively Euro 209 thousand in 2021 and Euro 190 thousand in 2020, while income taxes paid in the year amounted to Euro 1.2 million in 2021 and Euro 2.1 million in 2020.

**BASICNET S.p.A. - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY***(in Euro)*

	Number shares	Share capital	Treasury shares	Legal reserve	Shares held in portfolio	Reserves					Net profit	Total
						Remeas. IAS19	IFRS16 Reserve	Other reserves				
								Cash Flow Hedge reserve	Exchange gains reserve	Retained earnings/ (accumulated losses)		
<b>Balance at December 31, 2019</b>	<b>60,993,602</b>	<b>31,716,673</b>	<b>(22,225,090)</b>	<b>6,310,916</b>	<b>22,225,090</b>	<b>(108,392)</b>	<b>(86,584)</b>	-	-	<b>42,938,384</b>	<b>14,486,568</b>	<b>95,257,565</b>
Allocation of result as per Shareholders' AGM resolution of June 26, 2020				-								
- Legal reserve				32,418							(32,418)	
- Unrealised exchange gains reserve									62,495		(62,495)	
- Retained earnings										8,016,014	(8,016,014)	
- Distribution of dividends											(6,375,642)	(6,375,642)
Acquisition of treasury shares			(3,021,821)		3,021,821					(3,021,821)		(3,021,821)
Sale of treasury shares			568,012		(568,012)					800,122		800,122
Result December 31, 2020											4,739,596	4,739,596
Other comprehensive income statement items:												
- Gains/(losses) recorded directly to cash flow hedge reserve												
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement						(7,295)						(7,295)
<i>Total comprehensive income</i>						<i>(7,295)</i>					<i>4,739,596</i>	<i>4,732,301</i>
<b>Balance at December 31, 2020</b>	<b>60,993,602</b>	<b>31,716,673</b>	<b>(24,678,900)</b>	<b>6,343,334</b>	<b>24,678,900</b>	<b>(115,687)</b>	<b>(86,584)</b>	-	<b>62,495</b>	<b>48,732,699</b>	<b>4,739,596</b>	<b>91,392,526</b>
Allocation of result as per Shareholders' AGM resolution of April 9, 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>						<i>(21,469)</i>					<i>65,689,195</i>	<i>65,667,726</i>
<b>Balance at December 31, 2021</b>	<b>60,993,602</b>	<b>31,716,673</b>	<b>(30,647,910)</b>	<b>6,343,334</b>	<b>30,647,910</b>	<b>(137,156)</b>	<b>(86,584)</b>	-	<b>174,736</b>	<b>44,247,428</b>	<b>65,689,195</b>	<b>147,947,626</b>

**BASICNET S.p.A. – NET FINANCIAL POSITION***(in Euro)*

	December 31, 2021	December 31, 2020
Cash and cash equivalents	1,451,398	3,409,860
Bank overdrafts and bills	(8,010,755)	(14,001,192)
<i>Sub-total net liquidity available</i>	<i>(6,559,357)</i>	<i>(10,591,332)</i>
Short-term portion of medium/long-term loans	(4,843,750)	(4,500,000)
<b>Short-term net financial position – third parties</b>	<b>(11,403,107)</b>	<b>(15,091,332)</b>
“Intesa Loan - FCG”	(5,156,250)	(5,500,000)
“BNL Loan”	(625,000)	(1,875,000)
“MPS Loan”	(4,875,000)	(8,125,000)
Payables for rights-of-use	(8,440,693)	(10,195,406)
Medium/long lease payables	(120,050)	(105,499)
<i>Sub-total loans and leasing – third parties</i>	<i>(19,216,993)</i>	<i>(25,800,905)</i>
<b>Net financial position - third parties</b>	<b>(30,620,100)</b>	<b>(40,892,237)</b>
Group financial receivables / (payables)	57,371,828	66,952,082
<b>Net Financial Position - Group</b>	<b>57,371,828</b>	<b>66,952,082</b>
<b>Total net financial position</b>	<b>26,751,728</b>	<b>26,059,845</b>

The following table shows the composition of the Group's net debt as of December 31, 2021 and December 31, 2020, 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.

	December 31, 2021	December 31, 2020
A. Cash	2,653	3,168
B. Other cash equivalents	1,448,745	3,406,692
C. Securities held for trading	-	-
<b>D. Cash &amp; cash equivalents (A)+(B)+(C)</b>	<b>1,451,398</b>	<b>3,409,860</b>
<b>E. Current financial receivables</b>	<b>-</b>	<b>-</b>
F. Current bank payables	(8,010,755)	(14,001,192)
G. Current portion of non-current debt	(4,843,750)	(4,500,000)
H. Other Group financial receivables/ (payables)	57,371,828	66,952,082
<b>I. Current financial debt (F)+(G)+(H)</b>	<b>44,517,323</b>	<b>48,450,890</b>
<b>J. Net current financial debt (I)-(E)-(D)</b>	<b>45,968,721</b>	<b>51,860,750</b>
K. Non-current bank payables	(10,776,300)	(15,605,499)
L. Bonds issued	-	-
M. Other non-current financial payables	(8,440,693)	(10,195,406)
N. Trade payables and other non-current payables	-	-
<b>O. Non-current financial debt (K) + (L) + (M) + (N)</b>	<b>(19,216,993)</b>	<b>(25,800,905)</b>
<b>P. Net financial debt (J) + (O)</b>	<b>26,751,728</b>	<b>26,059,845</b>

**BASICNET S.P.A. STATEMENT OF CHANGES IN NET FINANCIAL POSITION***(in Euro)*

	December 31, 2021	December 31, 2020
<b>A) OPENING NET FINANCIAL POSITION</b>	<b>26,059,845</b>	<b>22,788,737</b>
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>		
Net profit	65,689,195	4,739,596
Amortisation & depreciation	4,266,442	4,186,643
Changes in working capital:	3,180,100	8,895,009
Net changes in employee and director benefits	(119,984)	(30,906)
Others, net	(60,918,522)	(74,820)
	<b>12,097,231</b>	<b>17,715,527</b>
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>		
Fixed asset investments	(11,171,814)	(3,923,670)
Realisable value for fixed asset disposals	9,396,643	1,459,329
	<b>(2,315,171)</b>	<b>(2,464,340)</b>
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>		
Payables for right-of-use	22,448	(2,586,152)
Acquisition of treasury shares	(5,969,010)	(3,021,821)
Dividend payments	(3,143,616)	(6,372,102)
	<b>(9,090,178)</b>	<b>(11,980,075)</b>
<b>E) CASH FLOW IN THE YEAR</b>	<b>691,883</b>	<b>3,271,107</b>
<b>F) CLOSING NET FINANCIAL POSITION</b>	<b>26,751,727</b>	<b>26,059,845</b>

**BASICNET S.p.A. – 2021 INCOME STATEMENT PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006**

(in Euro)

	FY 2021		FY 2020	
		<i>Of which related parties Note 43</i>		<i>Of which related parties</i>
Direct sales	2,415,827	1,473,769	3,798,951	2,525,977
Cost of sales	(2,644,896)	(83,472)	(3,460,807)	(12)
<b>GROSS MARGIN</b>	<b>(229,069)</b>		<b>338,144</b>	
Royalties and sourcing commissions	30,131,326	5,781,931	31,215,201	7,984,497
Other income	7,372,266	6,528,218	7,699,890	6,606,200
Sponsorship and media costs	(1,147,700)	(696,283)	(1,289,846)	(756,355)
Personnel costs	(10,202,161)		(10,099,231)	
Selling, general and administrative costs, royalties expenses	(15,695,801)	(1,711,454)	(19,741,715)	(1,585,142)
Amortisation & depreciation	(4,266,442)		(4,186,643)	
<b>EBIT</b>	<b>5,962,420</b>		<b>3,935,800</b>	
Net financial income (charges)	(209,758)	239,841	(991,998)	173,034
Dividends	-		1,097,851	1,097,851
Investment income/(charges)	60,903,373		-	
<b>PROFIT BEFORE TAXES</b>	<b>66,656,034</b>		<b>4,041,653</b>	
Income taxes	(966,839)		697,943	
<b>NET PROFIT</b>	<b>65,689,195</b>		<b>4,739,596</b>	

**BASICNET S.p.A. – BALANCE SHEET AS AT DECEMBER 31, 2021 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006***(in Euro)*

ASSETS	December 31, 2021		December 31, 2020	
		<i>Of which Related parties Notes 22 &amp; 26</i>		<i>Of which Related parties</i>
Intangible assets	3,767,651		13,005,773	
Rights-of-use	8,418,984		10,175,117	
Plant, machinery and other assets	2,863,902		2,996,316	
Equity invest. & other financial assets	105,854,734	105,822,624	35,804,734	35,772,624
Deferred tax assets	1,665,207		1,830,497	
<b>Total non-current assets</b>	<b>122,570,480</b>		<b>63,812,437</b>	
Net inventories	199,448		431,280	
Trade receivables	6,411,795		7,233,885	
Other current assets	71,122,949	68,620,732	74,316,003	72,088,335
Prepayments	3,715,270		3,986,225	
Cash and cash equivalents	1,451,398		3,409,860	
<b>Total current assets</b>	<b>82,900,861</b>		<b>89,377,253</b>	
<b>TOTAL ASSETS</b>	<b>205,471,341</b>		<b>153,189,690</b>	
<b>LIABILITIES</b>	<b>December 31, 2021</b>		<b>December 31, 2020</b>	
		<i>Of which Related parties Note 38</i>		<i>Of which Related parties</i>
Share capital	31,716,673		31,716,673	
Treasury shares	(30,647,910)		(24,678,900)	
Other reserves	81,189,668		79,615,157	
Net Profit	65,689,195		4,739,596	
<b>TOTAL SHAREHOLDERS' EQUITY</b>	<b>147,947,626</b>		<b>91,392,526</b>	
Loans	10,776,300		15,605,499	
Payables for rights-of-use	8,440,693		10,195,406	
Employee and Director benefits	2,416,260		2,036,244	
Other non-current liabilities	983,052		907,990	
<b>Total non-current liabilities</b>	<b>22,616,305</b>		<b>28,745,139</b>	
Bank payables	12,854,505		18,501,192	
Trade payables	4,322,269		5,949,967	
Tax payables	5,025,122		2,977,048	
Other current liabilities	12,377,626	9,282,020	5,617,819	1,295,819
Accrued expenses	327,887		6,000	
<b>Total current liabilities</b>	<b>34,907,410</b>		<b>33,052,026</b>	
<b>TOTAL LIABILITIES</b>	<b>57,523,715</b>		<b>61,797,164</b>	
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>205,471,341</b>		<b>153,189,690</b>	

**BASICNET S.p.A. – CASH FLOW STATEMENT AS AT DECEMBER 31, 2021 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006**

(in Euro)

	December 31, 2021		December 31, 2020	
		<i>Of which related parties</i>		<i>Of which related parties</i>
<b>A) OPENING SHORT-TERM BANK DEBT</b>	<b>(10,591,332)</b>		<b>(6,482,206)</b>	
<b>B) CASH FLOW FROM OPERATING ACTIVITIES</b>				
Net Profit	65,689,195		4,739,596	
Amortisation & depreciation	4,266,442		4,186,643	
Changes in working capital:				
- (increase) decrease in trade receivables	822,090		8,154,987	
- (increase) decrease in inventories	231,832		60,331	
- (increase) decrease in other receivables	4,129,298	3,467,604	(7,256,283)	(8,173,112)
- increase (decrease) in trade payables	(1,627,697)		(606,301)	
- increase (decrease) in other payables	9,204,831	7,986,200	(3,550,527)	663,246
Net changes in employee and director benefits	(119,984)		(30,906)	
Others, net	(60,918,522)		(74,820)	
	<b>21,677,485</b>		<b>5,317,855</b>	
<b>C) CASH FLOW FROM INVESTING ACTIVITIES</b>				
Investments in fixed assets:				
- tangible assets	(691,879)		(652,704)	
- intangible assets	(1,873,308)		(3,252,830)	
- financial assets	(9,146,628)		(18,135)	
Realisable value for fixed asset disposals:				
- tangible assets	(19,153)		345	
- intangible assets	9,415,796		948,984	
- financial assets	-		510,000	
	<b>(2,315,171)</b>		<b>(2,464,340)</b>	
<b>D) CASH FLOW FROM FINANCING ACTIVITIES</b>				
Undertaking of finance leases	66,400		51,786	
Reimbursement of finance leases	(51,849)		(47,345)	
New medium/long term loans	-		5,500,000	
Repayments of medium/long term loans	(4,500,000)		(1,437,500)	
Repayment of loans for rights-of-use	(1,732,265)		(1,635,660)	
Acquisition of treasury shares	(5,969,010)		(3,021,821)	
Distribution of dividends	(3,143,616)		(6,372,102)	
	<b>(15,330,340)</b>		<b>(6,962,642)</b>	
<b>E) CASH FLOW IN THE YEAR</b>	<b>4,031,975</b>		<b>(4,109,127)</b>	
<b>F) CLOSING SHORT-TERM BANK DEBT</b>	<b>(6,559,357)</b>		<b>(10,591,332)</b>	

Interest paid for the year amounts to respectively Euro 209 thousand in 2021 and Euro 190 thousand in 2020, while income taxes paid in the year amounted to Euro 1.2 million in 2021 and Euro 2.1 million in 2020.

The undersigned herewith declares that the present financial statements reflect the underlying accounting entries.

For 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, manages the Network, providing the know-how for the use of the Group brands, undertaking research and development of the services and new products for the best utilisation of the brands, as well as undertaking activities of conception, development and communication and the Groups' Information Technology systems. The Company coordinates and provides subsidiaries with administration, finance and control, IT and payroll management services.

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

The publication of the financial statements of BasicNet S.p.A. for the year ended December 31, 2021 was approved by the Board of Directors on March 3, 2022. 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 2021 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, 2021**

##### **Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IAS 16 *Reform of the interest rates benchmark - Phase 2***

The changes include the temporary easing of requirements with respect to the effects on the financial statements when the interest rate offered on the interbank market (IBOR) is replaced by an alternative rate that is substantially risk free (Risk Free Rate- RFR):

The changes include the following practical expedients:

- Allow contractual changes, or changes in cash flows that are directly required by the reform, to be treated as changes in a variable interest rate, equivalent to a movement of an interest rate in the market;
- They allow changes, required by IBOR reform, to be made to the documentation for the designation of the coverage report without the coverage report having to be discontinued;
- They provide temporary relief to entities in having to comply with separate identification requirements when an RFR is designated as a hedge of a risk component.

These amendments do not have an impact on the Company's financial statements.

##### **Amendment to IFRS 16 COVID-19 Related Rent Concessions beyond June 30, 2021**

On May 28, 2020, the IASB published an amendment to IFRS 16. The amendment allows a lessee not to apply the requirements in IFRS 16 on the accounting effects of contractual changes for lease reductions granted by lessors that are a direct result of the Covid-19 outbreak. The amendment

introduces a practical expedient whereby a tenant may choose not to consider whether the reduction in Leasing payments constitute contractual modifications. A lessee that chooses to use this expedient accounts for these reductions as if the reductions were not contractual modifications within the scope of IFRS 16.

The amendments were applicable until June 30, 2021, although as the impact of the COVID-19 pandemic has continued, on March 31, 2021 the IASB extended the application period of the practical expedient until June 30, 2022.

The amendments apply to the years beginning April 1, 2021 or subsequently. The Group has applied the practical expedient with no impact on the Company's financial statements.

### 3. FORMAT OF THE FINANCIAL STATEMENTS

BasicNet S.p.A. presents its income statement by nature of cost items; the assets and liabilities are classified between current and non-current. The statement of cash flows was prepared applying the indirect method. The format of the financial statements applied the provisions of Consob Resolution No. 15519 of July 27, 2006 and Notice No. 6064293 of July 28, 2006 on financial disclosure requirements.

### 4. ACCOUNTING POLICIES

The present financial statements were prepared on the going concern basis, and in accordance with the accruals principle. The financial statements are presented in Euro and all values are rounded into thousands of Euro.

The main accounting policies adopted in the preparation of the financial statements at December 31, 2021 are disclosed below:

#### **Revenue recognition**

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

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

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

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

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

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

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

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

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

### **Dividends**

#### **Dividends received**

Dividends from investees are recognised in the income statement when the right to receive the dividend is established.

#### **Dividends distributed**

Dividends distributed are represented as changes in shareholders' equity in the year in which the Shareholders' AGM approves the distribution and payment.

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

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

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

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

### **Income taxes**

Income taxes include all the taxes calculated on the assessable income of the Company. They are recognised to the income statement, except those relating to accounts directly credited or debited to equity, in which case the tax effect is recognised directly to equity.

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

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the financial statements, with the exception of the goodwill not fiscally deductible and of those differences deriving from investments in subsidiaries for which a write-down is not expected in the future.

Deferred tax assets on fiscal losses and unutilised tax credits carried forward are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

They are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

The Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. BasicNet S.p.A. acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

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

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

In accordance with paragraph 4 of IAS 33 – *Earnings per share*, this latter is only presented at consolidated financial statement level.

### **Provisions and contingent liabilities**

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

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

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

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

### **Use of estimates**

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

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

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

### **Intangible assets**

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

Software development

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

Concessions, brands and similar rights

The patent rights are amortised over ten years.

**Plant, machinery and other assets**

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

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

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

<b>Description</b>	<b>Estimated useful life years</b>
Plant & machinery	4-8
Furniture and furnishings	5-8
Motor vehicles	4
EDP	5-8

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

Ordinary maintenance costs are fully charged to the income statement.

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

**Leased assets**Usage right assets

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

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

Right-of-use assets are subject to impairment.

### Lease liabilities

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

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs. In calculating the present value of the payments due, the Company uses the 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.

- 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.
- 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.
- Derivative financial instruments which do not have the effectiveness requirements for hedge accounting  
The derivative financial instruments which do not comply with the requirements of IFRS 9 for the identification of the hedge, where present, are classified in the category of financial assets and liabilities measured at fair value through the profit and loss account.

### Hierarchy of Fair Value according to IFRS 7

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

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed (“unadjusted”) in active markets for identical assets or liabilities;
- *level 2*: determination of fair value based on other inputs than the listed prices included in “level 1” but which are directly or indirectly observable. This category includes the instruments with which the Company mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data (“unobservable inputs”).

## 5. OTHER INFORMATION

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

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

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

Grants obtained as part of the measures to contain the effects of Covid-19 in support of businesses were provided under provisions of a general nature and therefore do not fall within the scope of these regulations. The related effects are summarized in Note 7 below.

## EXPLANATORY NOTES (IN EURO)

### 6. DISCLOSURE BY OPERATING SEGMENT

As the Company simultaneously publishes the separate and consolidated financial statements, the operating segment information is provided only for the consolidated financial statements in accordance with IFRS 8 – *Operating segments*.

### 7. COVID-19 EFFECTS

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

- personnel costs benefitted from social security contributions totalling Euro 400 million;
- overheads include non-recurring charges of Euro 39 thousand, relating to sanitising costs and the purchase of personal protective equipment.

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 2021	FY 2020
Net sales to third parties	942,058	1,272,973
Net sales to subsidiaries	1,473,769	2,525,978
<b>Total direct sales</b>	<b>2,415,827</b>	<b>3,798,951</b>

Sales to subsidiaries are detailed in Note 43.

Direct sample sales decreased by 36%.

This result is due to the lack of cash flow from July 1 from the sale of K-Way samples, whose business unit, as described in detail in Note 41, was transferred to the company of the same name.

9. COST OF SALES

The breakdown of the cost of sales is as follows:

	FY 2021	FY 2020
Samples purchased	1,533,934	2,536,361
Freight charges and accessory purchasing cost	458,114	667,813
Change in inventory of raw materials, ancillary, consumables and goods	231,832	60,331
Prototypes purchases and development	250,832	280,855
Others	170,184	84,553
<b>Total cost of sales</b>	<b>2,644,896</b>	<b>3,460,807</b>

Sample purchases were made by BasicNet S.p.A. for resale to the licensees. The decrease of 24% is in line with the decrease in sales described in Note 8.

10. ROYALTIES AND SOURCING COMMISSIONS

The breakdown of royalties and sourcing commissions by geographic area is reported below.

	FY 2021	FY 2020
Europe	12,700,154	15,001,362
The Americas	3,280,068	2,186,899
Asia and Oceania	12,790,718	12,962,234
Middle East and Africa	1,360,386	1,064,706
<b>Total</b>	<b>30,131,326</b>	<b>31,215,201</b>

Royalty income comprises fees on licenses for know-how and the development of the Group brand collections, in addition to royalties for the use of the K-Way 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.

This decrease is described in the Directors' Report, based on the consolidated figures, whose effects are reflected also in the Company figures.

#### 11. OTHER INCOME

	<b>FY 2021</b>	<b>FY 2020</b>
Assistant services to Group companies	6,537,646	6,625,000
Other income	834,620	1,074,890
<b>Total other income</b>	<b>7,372,266</b>	<b>7,699,890</b>

The “revenues for assistant services to Group companies” originates from assistance and consultancy in administration and finance, payroll, commercial contract agreements and IT services provided by the Parent Company to the subsidiaries BasicItalia S.p.A., Basic Village S.p.A., Basic Trademark S.r.l., Jesus Jeans S.r.l., TOS S.r.l. Basic Air S.r.l., Basic Retail S.r.l., Kappa Europe S.a.s. and BasicRetail Suisse SA.

"Other income" in 2021 includes income from co-branded production contracts, recovery of legal fees on settlements reached and positive differences on prior year expenses, as well as minor items.

#### 12. SPONSORSHIP AND MEDIA COSTS

	<b>FY 2021</b>	<b>FY 2020</b>
Communication contributions	259,483	694,424
Promotional expenses	629,427	353,980
Advertising	258,789	241,442
<b>Total sponsorship and media costs</b>	<b>1,147,700</b>	<b>1,289,846</b>

Communication contributions are paid to commercial licensees for international communication and endorsement activities

#### 13. PERSONNEL COSTS

	<b>FY 2021</b>	<b>FY 2020</b>
Wages and salaries	7,156,580	7,189,891
Social security charges	2,505,540	2,390,810
Post-employment benefits	540,041	518,530
<b>Total</b>	<b>10,202,161</b>	<b>10,099,231</b>

Personnel costs include all charges relating to the provision of employment services of BasicNet S.p.A.. The changes in the headcount during the year were as follows:

Human resources at December 31, 2021

Human resources at December 31, 2020

Category	Number		Average age		Number		Average age	
	Male/ Female	Total	Male/ Female	Avge.	Male/ Female	Total	Male/ Female	Avge.
Executives	16 / 6	22	47 / 53	49	16 / 7	23	46 / 52	48
White-collared	61 / 137	198	37 / 38	38	64 / 132	196	37 / 39	38
Blue-collared	1 /	2	41 / 46	43	1 / 2	3	40 / 49	46
<b>Total</b>	<b>78 / 144</b>	<b>222</b>	<b>39 / 39</b>	<b>39</b>	<b>81 / 141</b>	<b>222</b>	<b>39 / 39</b>	<b>39</b>

The average number of Employees in 2021 was 224, comprising 23 executives, 199 white-collar employees and 3 blue-collar employees.

#### 14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

The breakdown of service costs is presented in the table below:

	FY 2021	FY 2020
Commercial expenses	3,186,680	3,550,759
Rental, accessory and utility expenses	3,561,609	2,727,494
Directors and Statutory Auditors emoluments	2,640,823	3,199,117
Doubtful debt provision	737,627	4,308,890
Sales services	558,950	628,809
Professional consultants	1,566,092	1,622,753
Other general expenses	3,444,020	3,703,893
<b>Total selling, general and administrative costs, and royalties</b>	<b>15,695,801</b>	<b>19,741,715</b>

"Commercial expenses" include costs connected with commercial activities, travel expenses and the cost of design and graphic consultancy services. The decrease is due to lower commercial activity on the brands and the reduction, due to Covid-19, of work missions abroad.

"Rental, accessory and utility expenses" principally relate to the offices of the company, owned by the subsidiary Basic Village S.p.A.

The company's remuneration policy, as well as Directors and Statutory Auditors emoluments for the offices held, pursuant to Article 78 of Consob Regulation No. 11971/99 and thereafter are reported in the Remuneration Report pursuant to Article 123-ter of the CFA (reported net of tax charges) which is available on the company's website [www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp](http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp), to which reference should be made.

"Sales services" include expenses for exporting samples in addition to "royalties' charges" principally relating to co-branding operations.

"Other general expenses" includes bank charges, other taxes, consumption materials, hire charges, and corporate and other minor expenses.

The increase also incorporates purchases of prevention and sanitization supplies related to Covid-19.

15. AMORTISATION & DEPRECIATION

Depreciation of fixed assets includes depreciation on finance lease assets.

	FY 2021	FY 2020
Intangible assets	1,695,633	1,685,455
Right-of-use	1,767,007	1,714,909
Property, plant and equipment	803,802	786,279
<b>Total amortisation &amp; depreciation</b>	<b>4,266,442</b>	<b>4,186,643</b>

16. NET FINANCIAL INCOME/(CHARGES)

	FY 2021	FY 2020
Interest on bank deposits	168	118
Intercompany interest income	116,087	173,035
Other interest income	-	33,049
Bank interest charges	(20,077)	(53,438)
Interest on medium/long term loans	(187,980)	(189,633)
Medium/long term loan charges	(13,333)	(13,333)
Other interest charges	(218,149)	(274,649)
<b>Total financial income and charges</b>	<b>(323,284)</b>	<b>(324,851)</b>
Exchange rate gains	877,769	491,421
Exchange rate losses	(764,243)	(1,158,569)
<b>Net exchange gains/(losses)</b>	<b>113,526</b>	<b>(667,147)</b>
<b>Total financial income/(charges)</b>	<b>(209,758)</b>	<b>(991,998)</b>

“Intercompany interest income” derives from operations during the year and regulated through intercompany accounts, remunerated at market rates.

“Interest on medium/long-term loans” refers to the “Intesa Loan”, the “BNL Loan” and the “MPS Loan” as described at Note 31.

“Exchange gains realised” in 2021 amounted to Euro 382 thousand and “exchange losses realised” amounted to Euro 489 thousand. The translation of credit and debit balances at year-end resulted in the recognition of “non-realised exchange gains” of Euro 496 thousand and “non-realised exchange losses” of Euro 275 thousand.

17. DIVIDENDS

The Company did not receive any dividends during 2021.

18. INVESTMENT INCOME/(CHARGES)

The result for the Parent Company includes 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.

Reference should be made to Note 41 below for further details of the transaction.

19. INCOME TAXES

Income taxes (Euro 967 thousand) comprises current taxes of Euro 2.4 million, mainly Euro 1.5 million for IRES, Euro 0.6 million for IRAP and Euro 0.3 million for deferred tax charges, the benefits from application of the “Patent Box” rule for Euro 1.5 million and other minor items for Euro 0.1 million.

The reconciliation between the theoretical and actual rate is shown below:

	FY 2021	FY 2020
Profit before taxes	66,656,034	4,041,653
Income tax rate	24.0%	24.0%
<b><i>Theoretical IRES</i></b>	<b><i>(15,997,448)</i></b>	<b><i>(969,997)</i></b>
Permanent tax differences effect	14,362,132	(120,517)
Prior year taxes	(155,297)	(157,743)
Patent Box benefit	1,496,012	1,130,618
Substitute taxes for alignment of Brand tax values (Article 110 of Law Decree No. 104/2020)	-	(159,296)
Alignment of Brand tax values (Article 110 of Law Decree No. 104/2020)	-	1,521,276
IRAP	(595,725)	(569,848)
Other changes	(76,513)	23,450
<b>EFFECTIVE TAX CHARGE</b>	<b>(966,839)</b>	<b>697,943</b>
<b>Effective tax rate</b>	<b>(1.5%)</b>	<b>17.3%</b>

The effective tax rate is strongly influenced by the income resulting from the contribution, carried out in tax neutrality, of the K-Way business unit to K-Way S.p.A. Net of this transaction, the effective tax rate would amount to 16.8%.

<b>Patent Box benefit</b>	<b>FY 2021</b>	<b>FY 2020</b>
Effect prior years	-	149,115
Effects in the current year	1,496,012	981,503
<b>TOTAL</b>	<b>1,496,012</b>	<b>1,130,618</b>

**EXPLANATORY NOTES TO THE BALANCE SHEET (IN EURO)****ASSETS****20. INTANGIBLE ASSETS**

The breakdown of intangible assets at December 31, 2021 compared to the previous year-end and the movements during the year are reported in the table below:

	December 31, 2021	December 31, 2020	Change
Concessions, brands and similar rights	212,798	9,593,318	(9,380,520)
Other intangible assets	3,461,876	3,303,393	158,483
Industrial patents & intellectual property rights	92,977	109,062	(16,085)
<b>Total intangible assets</b>	<b>3,767,651</b>	<b>13,005,773</b>	<b>(9,238,122)</b>

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands, and similar rights	Other intangible assets	Industrial patents	Total
<b>Historic cost at 01.01.2020</b>	<b>14,006,064</b>	<b>34,136,306</b>	<b>192,148</b>	<b>48,334,518</b>
<i>Additions</i>	1,316,755	7,917,542	18,533	3,252,830
<i>Divestments</i>	(900,369)	-	-	(900,369)
<i>Intercompany sales</i>	(48,615)	-	-	(48,615)
<b>Historic cost As at 31.12.2020</b>	<b>14,373,836</b>	<b>36,053,849</b>	<b>210,679</b>	<b>50,638,364</b>
<i>Additions</i>	133,693	1,735,265	4,350	1,873,008
<i>Divestments</i>	-	(1,503)	(3,852)	(5,355)
<i>Intercompany Transfers</i>	(9,409,573)	(868)	-	(9,410,441)
<b>Historic cost As at 31.12.2021</b>	<b>5,097,955</b>	<b>37,786,743</b>	<b>211,178</b>	<b>43,095,876</b>

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands, and similar rights	Other intangible assets	Industrial patents	Total
<b>Acc. Amort. at 01.01.2020</b>	<b>(4,660,794)</b>	<b>(31,201,479)</b>	<b>(84,863)</b>	<b>(35,947,136)</b>
<i>Amortisation</i>	(119,725)	(1,548,975)	(16,755)	(1,685,455)
<i>Reclass.</i>	-	-	-	-
<b>Acc. Amort. As at 31.12.2020</b>	<b>(4,780,517)</b>	<b>(32,750,455)</b>	<b>(101,619)</b>	<b>(37,632,592)</b>
<i>Amortisation</i>	(104,640)	(1,574,411)	(16,582)	(1,695,633)
<i>Reclass.</i>	-	-	-	-
<b>Acc. Amort. As at 31.12.2021</b>	<b>(4,885,157)</b>	<b>(34,324,867)</b>	<b>(118,201)</b>	<b>(39,328,225)</b>

The changes in intangible assets during 2021 are shown in the table below:

	<b>Concessions, brands, and similar rights</b>	<b>Other intangible assets</b>	<b>Industrial patents</b>	<b>Total</b>
<b>Opening net book value at 01.01.2020</b>	<b>9,345,270</b>	<b>2,934,827</b>	<b>107,285</b>	<b>12,387,382</b>
<i>Additions</i>	<i>1,316,755</i>	<i>1,917,542</i>	<i>18,533</i>	<i>3,252,830</i>
<i>Divestments</i>	<i>(900,369)</i>	<i>-</i>	<i>-</i>	<i>(900,369)</i>
<i>Intercompany sales</i>	<i>(48,615)</i>	<i>-</i>	<i>-</i>	<i>(48,615)</i>
<i>Amortisation</i>	<i>(119,725)</i>	<i>(1,548,975)</i>	<i>(16,755)</i>	<i>(1,685,455)</i>
<b>Closing net book value As at 31.12.2020</b>	<b>9,593,318</b>	<b>3,303,393</b>	<b>109,061</b>	<b>13,005,773</b>
<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>Intercompany Transfers</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>
<b>Closing net book value As at 31.12.2021</b>	<b>212,798</b>	<b>3,461,876</b>	<b>92,977</b>	<b>3,767,651</b>

At December 31, 2021, the intangible assets report investments of Euro 1.9 million and amortisation of Euro 3.5 million.

The investments in “concessions, brands and similar rights” are due to the capitalisation of costs incurred for the registration of trademarks in new European countries, for renewals and extensions and for the purchase of software licenses.

The reduction in the account is mainly due to the transfer of the K-Way® brand as part of the conferment of the relative business unit to the company of the same name.

The breakdown of “other intangible assets” is as follows:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Software development	3,439,734	3,293,632	146,102
Other intangible assets	22,142	9,761	12,381
<b>Total other intangible assets</b>	<b>3,461,876</b>	<b>3,303,393</b>	<b>158,483</b>

The account increased Euro 1.7 million, principally due to the implementation of new software programmes realised internally and decreased Euro 1.6 million due to the amortisation for the year.

## 21. RIGHT-OF-USE

The Group adopted IFRS 16 and utilised the exceptions under the standard on leasing contracts which, at the date of initial application, have a duration of equal to or less than 12 months and which do not contain a purchase option (“short-term leasing”) and on leases whose underlying asset is of a low value (“low value asset”).

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
Right-of-use	8,418,984	10,175,117	(1,756,133)
<b>Total right-of-use</b>	<b>8,418,984</b>	<b>10,175,117</b>	<b>(1,756,133)</b>

The changes in the original cost of the right-of-use were as follows:

	<b>2021</b>	<b>2020</b>
<b>Historic cost at 01.01</b>	<b>19,475,347</b>	<b>18,175,847</b>
<i>Additions</i>	<i>351,443</i>	<i>1,299,500</i>
<i>Disposals and other changes</i>	<i>(507,158)</i>	-
<i>Reclassifications</i>	<i>(8,728,274)</i>	-
<b>Historic cost at 31.12.</b>	<b>10,591,357</b>	<b>19,475,347</b>

The changes in the relative accumulated depreciation provisions were as follows:

	<b>2021</b>	<b>2020</b>
<b>Acc. Deprec. at 01.01</b>	<b>(9,300,230)</b>	<b>(8,936,081)</b>
<i>Depreciation</i>	<i>(1,767,007)</i>	<i>(1,714,909)</i>
<i>Disposals and other changes</i>	<i>166,589</i>	<i>1,350,760</i>
<i>Reclassifications</i>	<i>8,728,274</i>	-
<b>Acc. Deprec. at 31.12.</b>	<b>(2,172,373)</b>	<b>(9,300,230)</b>

The movements in the net book value of the right-of-use is shown below:

	<b>2021</b>	<b>2020</b>
<b>Net book value at 01.01</b>	<b>10,175,117</b>	<b>9,239,766</b>
<i>Additions</i>	<i>351,443</i>	<i>1,299,500</i>
<i>Disposals and other changes</i>	<i>(340,569)</i>	<i>1,350,760</i>
<i>Depreciation</i>	<i>(1,767,007)</i>	<i>(1,714,909)</i>
<b>Net book value at 31.12.</b>	<b>8,418,984</b>	<b>10,175,117</b>

22. PLANT, MACHINERY AND OTHER ASSETS

The breakdown of plant, machinery and other assets at December 31, 2021 compared to the previous year is shown in the table below:

	December 31, 2021	December 31, 2020	Change
Plant & machinery	18,119	22,527	(4,408)
Industrial & commercial equipment	80,440	93,242	(12,802)
Other assets	2,765,343	2,880,547	(115,204)
<b>Total plant, machinery and other assets</b>	<b>2,863,902</b>	<b>2,996,316</b>	<b>(132,414)</b>

The changes in the historical cost of plant, machinery and other assets were as follows:

	Plant & machinery	Industrial & commercial equipment	Other Assets	Total
<b>Historic cost at 01.01.2020</b>	<b>272,344</b>	<b>428,299</b>	<b>10,209,954</b>	<b>10,910,597</b>
<i>Additions</i>	-	15,192	637,512	652,704
<i>Divestments</i>	-	-	(5,182)	(5,182)
<i>Reclass.</i>	-	-	-	-
<b>Historic cost As at 31.12.2020</b>	<b>272,344</b>	<b>443,493</b>	<b>10,842,285</b>	<b>11,558,120</b>
<i>Additions</i>	7,603	15,755	668,521	691,879
<i>Divestments</i>	-	-	(175,539)	(175,539)
<i>Reclass.</i>	-	-	-	-
<b>Historic cost As at 31.12.2021</b>	<b>279,945</b>	<b>459,248</b>	<b>11,335,267</b>	<b>12,074,460</b>

The changes in the relative accumulated depreciation provisions were as follows:

	Plant & machinery	Industrial & commercial equipment	Other Assets	Total
<b>Acc. Deprec. at 01.01.2020</b>	<b>(233,580)</b>	<b>(322,304)</b>	<b>(7,224,477)</b>	<b>(7,780,361)</b>
<i>Depreciation</i>	(16,237)	(27,946)	(742,097)	(786,279)
<i>Divestments</i>	-	-	4,837	4,837
<i>Reclass.</i>	-	-	-	-
<b>Acc. Deprec. As at 31.12.2020</b>	<b>(249,817)</b>	<b>(350,250)</b>	<b>(7,961,737)</b>	<b>(8,561,803)</b>
<i>Depreciation</i>	(12,011)	(28,556)	(763,234)	(803,802)
<i>Divestments</i>	-	-	122,219	122,219
<i>Reclass.</i>	-	-	32,829	32,829
<b>Acc. Deprec. As at 31.12.2021</b>	<b>(261,827)</b>	<b>(378,808)</b>	<b>(8,569,922)</b>	<b>(9,210,557)</b>

The changes in the plant and machinery are shown in the table below:

	<b>Plant &amp; machinery</b>	<b>Industrial &amp; commercial equipment</b>	<b>Other Assets</b>	<b>Total</b>
<b>Opening net book value at 01.01.2020</b>	<b>38,764</b>	<b>105,995</b>	<b>2,985,477</b>	<b>3,130,236</b>
<i>Additions</i>	-	15,192	637,512	652,704
<i>Divestments</i>	-	-	(345)	(345)
<i>Depreciation</i>	(16,237)	(27,946)	(742,097)	(786,279)
<i>Reclass.</i>	-	-	-	-
<b>Closing net book value As at 31.12.2020</b>	<b>22,527</b>	<b>93,242</b>	<b>2,880,547</b>	<b>2,996,316</b>
<i>Additions</i>	7,603	15,755	668,521	691,879
<i>Divestments</i>	-	-	(53,320)	(53,320)
<i>Depreciation</i>	(12,011)	(28,556)	(763,234)	(803,802)
<i>Reclass.</i>	-	-	32,829	32,829
<b>Closing net book value As at 31.12.2021</b>	<b>18,119</b>	<b>80,440</b>	<b>2,765,343</b>	<b>2,863,902</b>

This account “other assets” consist of:

	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
EDP	809,971	750,034	59,938
Furnishings and fittings	408,158	398,792	9,366
Motor vehicles	53,929	92,008	(38,080)
Other assets	1,493,285	1,639,713	(146,428)
<b>Total other assets</b>	<b>2,765,343</b>	<b>2,880,547</b>	<b>(115,204)</b>

Capex in the year relates to the acquisition of furniture and fittings and EDP for Euro 431 thousand, moulds for new products for Euro 170 thousand, and equipment and motor vehicles for Euro 16 thousand and other minor assets.

The account “other assets” includes the purchase cost of an IT collection comprising rare pieces which represents significant elements and representative of the IT revolution, in the 1970’s and 1980’s with the advent of the new personal computer. This collection is utilised in many events related to the promotion of the brands and logos of the Group. The account also includes the purchase cost of moulds for footwear, eyewear and helmets so that ownership is held in order to control the strategic stages of the production process utilised by the suppliers’ of finished products.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2021	Net value at December 31, 2020	Change
EDP	118,217	68,825	49,392
Motor vehicles	46,202	80,973	(34,771)
<b>Total</b>	<b>164,419</b>	<b>149,798</b>	<b>14,621</b>

The net book value at December 31, 2021 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, 2021	December 31, 2020	Change
Investments in:			
- Subsidiaries	105,822,624	35,772,624	70,050,000
- Other companies	127	127	-
<b>Total investments</b>	<b>105,822,751</b>	<b>35,772,751</b>	<b>70,050,000</b>
Receivables:			
- Other receivables	31,983	31,983	-
<b>Total financial receivables</b>	<b>31,983</b>	<b>31,983</b>	<b>-</b>
<b>Total investments &amp; other financial assets</b>	<b>105,854,734</b>	<b>35,804,734</b>	<b>70,050,000</b>

In line with the practice adopted by other large listed groups in Italy, BasicNet S.p.A. identifies in the negative differential between the share of net equity held in the subsidiary and its book value an indicator of an impairment for the investments of control in its financial statements.

This would occur only for the subsidiary K-Way S.p.A., whose full recoverability of the book value is outlined in detail in the independent expert opinion as part of the transaction outlined at Note 41.

Other receivables refer to guarantee deposits.

### 24. DEFERRED TAX ASSETS

The breakdown is shown below:

	December 31, 2021	December 31, 2020	Change
Deferred tax assets	1,665,207	1,830,497	(165,290)
<b>Total deferred tax assets</b>	<b>1,665,207</b>	<b>1,830,497</b>	<b>(165,290)</b>

Deferred tax assets and liabilities are calculated on all the temporary differences arising between the book value in the consolidated financial statements and their assessable amount for tax purposes. The deferred tax assets and liabilities recognised and their impact are reported in the table below:

(in Euro thousands)	December 31, 2021			December 31, 2020			Change 2021/2020
	Amount of temporary differences	Rate %	Tax effect	Amount of temporary differences	Rate %	Tax effect	
<i>Deferred tax assets:</i>							
- Excess doubtful debt provision not deductible	(5,693)	24.00%	(1,366)	(5,034)	24.00%	(1,208)	(158)
- Inventory obsolescence provision	(1,399)	24.00%	(335)	(2,193)	25.50%	(559)	224
- Misc. charges temporarily non-deductible	(40)	24.00%	(9)	(588)	24.00%	(141)	132
- Prudent exchange differences, net	221	24.00%	53	(469)	24.00%	(113)	166
- Effect IAS 19 – Post-employment benefits provision	(30)	24.00%	(7)	(40)	24.00%	(10)	3
<b>Total</b>	<b>(6,940)</b>		<b>(1,665)</b>	<b>(8,324)</b>		<b>(2,030)</b>	<b>365</b>
<i>Deferred tax liabilities:</i>							
- Amortisation/Depreciation tax basis	-	24.00%	-	693	28.85%	200	(200)
<b>Total</b>	<b>-</b>		<b>-</b>	<b>693</b>		<b>200</b>	<b>(200)</b>
Net deferred tax liability (asset)	(6,940)		(1,665)	(7,630)		(1,830)	165
Deferred tax asset relating to fiscal losses							
<b>Deferred tax liabilities (asset) as per financial statements</b>			<b>(1,665)</b>			<b>(1,830)</b>	<b>165</b>

Deferred tax assets are recorded considering probable their recovery based on future profit expectations, and principally relate to non-deductible doubtful debt provisions (approx. Euro 1.4 million) and non-deductible inventory obsolescence provisions (approx. Euro 0.3 million).

## 25. NET INVENTORIES

The composition of the item is as follows:

	December 31, 2021	December 31, 2020	Change
Finished products and goods	1,596,508	2,624,055	(1,027,547)
<b>Gross value</b>	<b>1,596,508</b>	<b>2,624,055</b>	<b>(1,027,547)</b>
Inventory obsolescence provision	(1,397,060)	(2,192,775)	795,715
<b>Total net inventories</b>	<b>199,448</b>	<b>431,280</b>	<b>(231,832)</b>

“Inventories” includes samples to be sold to licensees. Inventories are valued under the weighted average cost method and net of the obsolescence provision considered reasonable for a prudent valuation of inventories of prior year sample collections. The movements in the provision during the year were as follows:

	2021	2020
<b>Inventory obsolescence provision at 01.01</b>	<b>2,192,775</b>	<b>1,892,775</b>
Provisions in the year	(150,000)	300,000
Utilisations	100,000	-
Conferment to K-Way S.p.A.	(845,715)	-
<b>Inventory obsolescence provision at 31.12</b>	<b>1,397,060</b>	<b>2,192,775</b>

26. TRADE RECEIVABLES

	December 31, 2021	December 31, 2020	Change
Trade receivables - Italy	206,935	371,443	(164,508)
Trade receivables - Abroad	12,154,429	12,121,878	32,551
Doubtful debt provision	(5,949,569)	(5,259,436)	(690,133)
<b>Total trade receivables</b>	<b>6,411,795</b>	<b>7,233,885</b>	<b>(822,090)</b>

In particular, the breakdown of foreign receivables is as follows:

	December 31, 2021	December 31, 2020	Change
Europe	1,148,494	1,734,348	(585,853)
The Americas	1,815,040	1,681,125	133,916
Asia and Oceania	9,040,466	8,449,915	590,551
Middle East and Africa	150,428	256,490	(106,062)
<b>Total</b>	<b>12,154,429</b>	<b>12,121,878</b>	<b>32,551</b>

“Trade receivables” were written down to their realisable value through the doubtful debt provision, although the majority of the receivables are secured by bank guarantees.

The provision at the end of the year represents a prudent estimate of the risk. The movements in the doubtful debt provision during the year were as follows:

	2021	2020
<b>Doubtful debt provision at 01.01</b>	<b>5,259,436</b>	<b>1,429,206</b>
Utilization for administration procedures and other losses	(236,873)	(478,660)
Provisions in the year	737,627	4,308,890
Adjustment to receivables in foreign currencies provision	189,279	-
<b>Doubtful debt provision at 31.12</b>	<b>5,949,569</b>	<b>5,259,436</b>

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, 2021	December 31, 2020	Change
Receivables from Group companies	68,620,732	72,088,335	(3,467,603)
Tax receivables	621,450	856,206	(234,756)
Other receivables	1,880,767	1,371,462	509,305
<b>Total other current assets</b>	<b>71,122,949</b>	<b>74,316,003</b>	<b>(3,193,054)</b>

The breakdown of “receivables from Group companies” is as follows:

	December 31, 2021	December 31, 2020	Change
<i>Trade receivables</i>			
BasicItalia S.p.A.. with sole shareholder	525,619	3,850,240	(3,324,621)
BasicNet Asia Company Limited (Vietnam) Ltd	58,240	46,383	11,857
Kappa France S.a.s.	2,218,290	826,674	1,391,616
Preppy Cotton AG	27,463	205,337	(177,874)
BasicRetail S.r.l. with sole shareholder	-	150,000	(150,000)
TOS S.r.l. with sole shareholder	16,111	27,347	(11,236)
Kappa Europe S.a.s.	6,007	16,000	(9,993)
Jesus Jeans S.r.l. with sole shareholder	8,105	3,207	4,898
K-Way S.p.A. with sole shareholder	409,863	-	409,863
K-Way Retail S.r.l. with sole shareholder	5,833	-	5,833
K-WayRetail SUISSE (formerly BasicRetail SUISSE)	1,667	10,000	(8,333)
Basic Village S.p.A. with sole shareholder	383	1,065	(682)
Fashion S.r.l.	297	-	297
<b>Total trade receivables</b>	<b>3,277,879</b>	<b>5,136,253</b>	<b>(1,858,374)</b>
<i>Financial receivables</i>			
BasicItalia S.p.A.. with sole shareholder	-	27,891,391	(27,891,391)
Kappa Europe S.a.s.	4,000,000	3,000,000	1,000,000
TOS S.r.l. with sole shareholder	9,198,488	9,599,624	(401,136)
Basic Village S.p.A.. with sole shareholder	21,086,478	17,024,600	4,061,878
K-Way S.p.A. with sole shareholder	27,900,849	-	27,900,849
K-Way Retail S.r.l. with sole shareholder	838,292	-	838,292
BasicRetail S.r.l. with sole shareholder	1,981,030	828,204	(1,152,826)
BasicAir S.r.l. with sole shareholder	337,716	302,313	35,403
BasicTrademark S.r.l. with sole shareholder	-	8,305,951	(8,305,951)
<b>Total financial receivables</b>	<b>65,342,853</b>	<b>66,952,082</b>	<b>(1,609,229)</b>
<b>Total</b>	<b>68,620,732</b>	<b>72,088,335</b>	<b>(3,467,603)</b>

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 increase in “financial receivables” from Basic Village S.p.A. is due to the loan made to support investment linked to the purchase and restructuring of the property located in Milan.

No receivables have a residual duration of above 5 years.

The account “tax receivables” includes withholdings on royalties totalling Euro 442 thousand.

The account “other receivables” includes the premium paid to the insurance company against the Directors Termination Indemnities for the Chairman of the Board of Directors of Euro 1.5 million, as approved by the Shareholders’ Meeting for the 2019-2021 three-year mandate, as described in the Remuneration Report to which reference should be made and other minor amounts.

## 28. PREPAYMENTS

The table below shows the breakdown of the account:

	December 31, 2021	December 31, 2020	Change
Prepaid expenses on future collections	3,307,654	3,526,994	(219,340)
Rentals, leases, hire and other	65,527	159,447	(93,920)
Assistance and maintenance contract	325,335	223,492	101,843
Others	16,754	76,292	(59,538)
<b>Total prepayments</b>	<b>3,715,270</b>	<b>3,986,225</b>	<b>(270,955)</b>

Prepaid costs include creative personnel costs, sample costs for collections for which the corresponding sales revenues have not been realised and costs for trade fairs and exhibitions for future collections and the relative sales meetings.

## 29. CASH AND CASH EQUIVALENTS

	December 31, 2021	December 31, 2020	Change
Bank and postal deposits	1,448,745	3,406,692	(1,957,947)
Cash in hand and similar	2,653	3,168	(515)
<b>Total cash and cash equivalents</b>	<b>1,451,398</b>	<b>3,409,860</b>	<b>(1,958,462)</b>

“Bank deposits” refer to temporary current account balances principally due to receipts from clients.

**SHAREHOLDERS' EQUITY & LIABILITIES****30. SHAREHOLDERS' EQUITY**

	December 31, 2021	December 31, 2020	Change
Share capital	31,716,673	31,716,673	-
Treasury shares	(30,647,910)	(24,678,900)	(5,969,010)
Legal reserve	6,343,334	6,343,334	-
Treasury shares in portfolio reserve	30,647,910	24,678,900	5,969,010
Other reserves:			
- cash flow hedge reserve	-	-	-
- remeasurement reserve for defined benefit plans (IAS 19)	(137,156)	(115,687)	(21,469)
- retained earnings	44,247,428	48,732,700	(4,485,272)
- IAS 19 Reserve	(86,584)	(86,584)	-
- unrealised exchange gains reserve	174,736	62,494	112,242
Net profit	65,689,195	4,739,596	60,949,599
<b>Total Shareholders' Equity</b>	<b>147,947,626</b>	<b>91,392,526</b>	<b>56,555,100</b>

The account includes:

- the “*legal reserve*”, of approx. Euro 6.3 million did not increase in the year;
- The “reserve for treasury shares in portfolio”, amounting to Euro 31 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 by Euro 4.5 million following the allocation of the result for the previous year, as approved by the Shareholders’ AGM of April 8, 2021, net of the decrease for the acquisition of treasury shares.
- the “IFRS 16 reserve” includes the effects of the Company's application of this accounting standard;
- The “*unrealised exchange gains reserve*” increased by approx. Euro 112 thousand following the allocation of part of the previous year's net profit, as approved by the Shareholders' Meeting of April 9, 2021.

Pursuant to Article 110 of Legislative Decree No. 104/2020, which allowed for the partial realignment of the tax value of the brands in the portfolio to the higher value recorded in the financial statements, the Company tied up its reserves subject to tax suspension for an amount of Euro 5.2 million equal to the higher values realigned.

The share capital of BasicNet S.p.A. amounts to Euro 31,716,673.04 (divided in 60,993,602 ordinary shares) of Euro 0.52 each fully paid in.

In May 2021, as approved by the Shareholders' AGM of BasicNet S.p.A. of April 9, 2021, in relation to the allocation of the 2020 net profit, a dividend of Euro 0.06 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 3.1 million.

Based on the share buy-back programme, at the reporting date the Company held 9,718,000 shares, equal to 15.93% of the share capital, for a total investment of approx. Euro 30.6 million. The weighted average number of shares outstanding in the year was 51,275,602.

The other gains and losses recorded directly in equity in accordance with IAS 1 are reported below and recognised to the Comprehensive Income Statement.

<i>(Euro thousands)</i>	<b>December 31, 2021</b>	<b>December 31, 2020</b>	<b>Change</b>
<i>Effective part of the Gains/losses on cash flow hedge instruments</i>	-	-	-
<i>Re-measurement of post-employment benefits (IAS 19) (*)</i>	(28)	(10)	(18)
<i>Tax effect relating to the Other items of the comprehensive income statement</i>	7	2	5
<b>Total other gains/(losses), net of tax effect</b>	<b>(21)</b>	<b>(8)</b>	<b>(13)</b>

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

The tax effect relating to “Other gain/losses” is as follows:

<i>(Euro thousands)</i>	<b>December 31, 2021</b>			<b>December 31, 2020</b>		
	<b>Gross value</b>	<b>Tax Charge/Benefit</b>	<b>Net value</b>	<b>Gross value</b>	<b>Tax Charge/Benefit</b>	<b>Net value</b>
Effective part of Gains/losses on cash flow hedge instruments	-	-	-	-	-	-
Re-measurement of post-employment benefits (IAS 19) (*)	(28)	7	(21)	(10)	2	(8)
<b>Total other gains/(losses), net of tax effect</b>	<b>(28)</b>	<b>7</b>	<b>(21)</b>	<b>(10)</b>	<b>2</b>	<b>(8)</b>

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

The statement on the availability of the reserves at December 31, 2021 is shown below:

**STATEMENT ON UTILISATION AND DISTRIBUTION OF RESERVES AS PER ART. 2427 OF THE  
C.C. NO.7-BIS**

		December 31, 2021	December 31, 2020	Change
Share capital		31,716,673	31,716,673	-
Treasury shares		(30,647,910)	(24,678,900)	(5,969,010)
Share premium reserve		-	-	-
Legal reserve	B	6,343,334	6,343,334	-
IAS adjustment reserve		-	-	-
Reserve for treasury shares in portfolio		30,647,910	24,678,900	5,969,010
Ordinary reserve		-	-	-
Extraordinary reserve		-	-	-
Other reserves:				
Cash Flow Hedge Reserve	D	-	-	-
Remeasuring reserve of employee defined benefit plans (IAS 39)	D	(137,156)	(115,687)	(21,469)
Retained earnings	A,B,C	44,247,428	48,732,700	(4,485,272)
IFRS 16 Reserve	B	(86,584)	(86,584)	-
Exchange gains reserve		174,736	62,494	112,242
Net profit		65,689,195	4,739,596	60,949,599
<b>Total</b>		<b>147,947,626</b>	<b>91,392,526</b>	<b>56,555,100</b>

*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>	31/12/2020	New Loans	Repayments	31/12/2021	Short-term portion	Medium/long-term portion
“Intesa Loan - FCG”	5,500	-	-	5,500	344	5,156
“BNL Loan”	3,125	-	(1,250)	1,875	1,250	625
“MPS Loan”	11,375	-	(3,250)	8,125	3,250	4,875
<b>Balance</b>	<b>20,000</b>	<b>-</b>	<b>(4,500)</b>	<b>15,500</b>	<b>4,844</b>	<b>10,656</b>

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2021	December 31, 2020	Change
Loans:			
- “Intesa Loan - FCG”	5,156,250	5,500,000	(343,750)
- “BNL Loan”	625,000	1,875,000	(1,250,000)
- “MPS Loan”	4,875,000	8,125,000	(3,250,000)
<b>Total medium/long-term loans</b>	<b>10,656,250</b>	<b>15,500,000</b>	<b>(4,843,750)</b>
- Other lenders	120,050	105,499	14,551
<b>Total other financial payables</b>	<b>120,050</b>	<b>105,499</b>	<b>14,551</b>
<b>Total loans</b>	<b>10,776,300</b>	<b>15,605,499</b>	<b>(4,829,199)</b>

The "Intesa Loan" was disbursed in October 2020 for Euro 5.5 million, has a duration of six years, including a two-year grace period, and is repayable in quarterly instalments, starting from September 2022, at a contractual rate of 1.05% per quarter. The use is restricted to payments for the purchase of services and salary payments to BasicNet employees. The contractual conditions do not include financial covenants and the loan is directly guaranteed by the SME Guarantee Fund (90% of the capital).

The "BNL Loan" was disbursed in November 2016 for Euro 7.5 million; it has six-year duration and is repayable in quarterly instalments at a quarterly Euribor rate increased by 95 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a second level mortgage on the "Basic Village" building in Turin and a first level mortgage on the adjacent building, acquired at the end of 2016.

The "MPS Loan" was issued in July 2017 for Euro 13 million and is of six-year duration of which 2 years grace period, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of TOS S.r.l., owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

"Payables to other lenders" relate to the accounting of the capital line of finance leases recorded in the accounts.

For completeness of information we provide details of the medium/long-term loans by maturity.

	December 31, 2021	December 31, 2020	Change
Medium/long term loans:			
- due within 5 years	10,656,250	14,468,750	(3,812,500)
- due beyond 5 years	-	1,031,250	(1,031,250)
<b>Total medium/long term loans</b>	<b>10,656,250</b>	<b>15,500,000</b>	<b>(4,843,750)</b>
Leasing payables	120,050	105,499	14,551
<b>Total leasing payables (maturity within 5 years)</b>	<b>120,050</b>	<b>105,499</b>	<b>14,551</b>
<b>Total loans</b>	<b>10,776,300</b>	<b>15,605,499</b>	<b>(4,829,199)</b>

### 32. BANK PAYABLES

	December 31, 2021	December 31, 2020	Change
Bank payables due within one year:			
- short-term portion of medium/long-term loans	4,843,750	4,500,000	343,750
- bank overdrafts and bills	8,000,000	14,000,000	(6,000,000)
- interest expense on loans	10,755	1,192	9,563
<b>Total bank payables</b>	<b>12,854,505</b>	<b>18,501,192</b>	<b>(5,646,687)</b>

The average interest rates for BasicNet S.p.A. were:

	December 31, 2021	December 31, 2020
cash advances	1.05%	0.32%
medium-term loan	1.01%	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, 2021	December 31, 2020	Change
Payables for rights-of-use	8,440,693	10,195,406	(1,754,713)
<b>Total payables for right-of-use</b>	<b>8,440,693</b>	<b>10,195,406</b>	<b>(1,754,713)</b>

Payables for right-of-use are recognised from 2020 in accordance with IFRS 16. During the year, payables were settled for Euro 1.7 million.

### 34. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 1.1 million and the termination indemnities of Directors of Euro 1.3 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2021			December 31, 2020		
	Defined benefit plans	Defined contrib. plans	Total	Defined benefit plans	Defined contrib. plans	Total
<b>Change in the balance sheet:</b>						
Net liabilities recognized at begin. of year	1,202,911	-	1,202,911	1,233,817	-	1,233,817
Interest	5,967	-	5,967	12,556	-	12,556
Pension cost, net of withholdings	-	519,282	519,282	-	526,704	526,704
Benefits paid	(15,532)	-	(15,532)	(53,060)	-	(53,060)
Payments to the INPS treasury fund	-	(359,876)	(359,876)	-	(373,379)	(373,379)
Payments to other supp. pension fund	-	(159,405)	(159,405)	-	(153,325)	(153,325)
- Actuarial gains/(losses)	28,249	-	28,249	9,598	-	9,598
Internal transfers to the Group	(138,668)	-	(138,668)	-	-	-
<b>Net liabilities recognised in the accounts</b>	<b>1,082,927</b>	<b>-</b>	<b>1,082,927</b>	<b>1,202,911</b>	<b>-</b>	<b>1,202,911</b>
<b>Change in the income statement:</b>						
Interest	5,967	-	5,967	12,556	-	12,556
Pension Cost	-	519,282	519,282	-	526,704	526,704
<b>Total charges/(income) for post-employment benefits</b>	<b>5,967</b>	<b>519,282</b>	<b>525,249</b>	<b>12,556</b>	<b>526,704</b>	<b>539,260</b>

The account “employee benefits” includes the present value of the liabilities of the company in accordance with Article 2120 of the Civil Code. Based on the regulatory changes in 2007, the sums matured prior to January 1, 2007 to employees are recognised as defined benefit plans in accordance with *IAS 19 – Employee benefits*; those matured subsequent to this date are on the other hand recognised as defined contribution plans in accordance with the same standard.

Within the Company there are no other plans other than defined benefit plans. The actuarial valuation of the Post-Employment Benefit is prepared based on the “matured benefits” method through the Projected Unit Credit Method in accordance with IAS 19. Under this method the valuation is based on the average present value of the pension obligations matured based on the employment service up to the time of the valuation, without projecting the remuneration of the employee in accordance with the regulatory modifications introduced by the Pension Reform.

The actuarial model for the measurement of the post-employment benefit is based on various assumptions of a demographic and financial nature. The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2021	December 31, 2020
discount rate	1.09%	0.53%
inflation rate:	1.75%	0.80%
annual increase in post-employment benefit	2.81%	2.10%
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, 2021	December 31, 2020	Change
Guarantee deposits	983,052	892,633	90,419
Medium/long term tax payables	-	15,357	(15,357)
<b>Total other non-current liabilities</b>	<b>983,052</b>	<b>907,990</b>	<b>75,062</b>

The “guarantee deposits” include the guarantees received from licensees (in place of bank or corporate guarantees), to cover the minimum royalties guaranteed contractually.

### 36. TRADE PAYABLES

	December 31, 2021	December 31, 2020	Change
Trade payables - Italy	3,478,154	4,539,602	(1,061,448)
Trade payables - Foreign	844,115	1,410,365	(566,250)
<b>Total trade payables</b>	<b>4,322,269</b>	<b>5,949,967</b>	<b>(1,627,698)</b>

“Trade payables” are all due in the short-term period.

In particular, the breakdown of foreign suppliers is as follows:

	December 31, 2021	December 31, 2020	Change
Europe	295,072	502,489	(207,417)
The Americas	155,681	267,645	(111,964)
Asia and Oceania	390,525	639,821	(249,297)
Middle East and Africa	2,837	410	(2,427)
<b>Total</b>	<b>844,115</b>	<b>1,410,365</b>	<b>(566,250)</b>

At the date of the present report there are no initiatives for the suspension of supplies, payment injunctions or executive actions by creditors against BasicNet S.p.A.. No interest is charged on trade payables which are normally settled between 30 and 120 days. The carrying value of trade payables approximates their fair value.

### 37. TAX PAYABLES

The breakdown of this account is shown in the following table:

	December 31, 2021	December 31, 2020	Change
Tax payables:			
IRES	4,273,253	2,019,115	2,254,138
Withholding taxes	10,885	9,803	1,082
VAT	349,845	499,273	(149,428)
Employee contributions	269,585	269,956	(371)
IRAP TAXES	-	-	-
Tax payables	121,554	178,901	(57,348)
<b>Total tax payables</b>	<b>5,025,122</b>	<b>2,977,048</b>	<b>2,048,074</b>

The account “IRES” concerns the payable in the year.

The VAT payable is consequent of the transfers of balances by the companies within the Group VAT consolidation.

### 38. OTHER CURRENT LIABILITIES

	December 31, 2021	December 31, 2020	Change
Payables to Group companies	9,282,020	1,295,819	7,986,201
Other payables	2,768,874	4,018,569	(1,249,694)
Accrued expenses	326,732	303,430	23,302
<b>Total other current liabilities</b>	<b>12,377,626</b>	<b>5,617,818</b>	<b>6,759,808</b>

“Other payables” at December 31, 2021 principally include payables to social security institutions of Euro 0.6 million for the year 2021 and paid in 2022, employee, consultant and director payables of approx. Euro 2.1 million, which include vacation days matured at December 31, 2021 and other items of Euro 0.1 million. All payables are due within one year.

The “accruals” refer to employee costs for the 14th month of the year.

The breakdown of “Payables to Group companies” are shown below:

	December 31, 2021	December 31, 2020	Change
<i>Trade payables:</i>			
Basic Properties America Inc.	814,660	746,035	68,625
BasicNet Asia Ltd.	301,418	264,826	36,562
BasicItalia S.p.A.. with sole shareholder	2,273	186,777	(184,505)
Basic Village S.p.A.. with sole shareholder	141,298	96,479	44,819
Kappa Europe S.a.s.	36,382	-	36,382
Kappa France S.a.s.	2,226	-	2,226
K-Way S.p.A. with sole shareholder	328	-	328
Basic Retail S.r.l. with sole shareholder	(40)	-	(40)
Jesus Jeans S.r.l. with sole shareholder	12,000	-	12,000
BasicNet Asia Company (Vietnam) Ltd.	-	1,702	(1,702)
<b>Trade payables</b>	<b>1,310,995</b>	<b>1,295,819</b>	<b>15,176</b>
<i>Financial payables</i>			
BasicTrademark S.r.l. with sole shareholder	5,957,351	-	5,957,351
BasicItalia S.p.A.. with sole shareholder	2,013,673	-	2,013,673
<b>Trade payables</b>	<b>7,971,024</b>	<b>-</b>	<b>7,971,024</b>
<b>Total</b>	<b>9,282,020</b>	<b>1,295,819</b>	<b>7,896,200</b>

### 39. DEFERRED INCOME

	December 31, 2021	December 31, 2020	Change
Royalties	327,887	6,000	321,887
<b>Total deferred income</b>	<b>327,887</b>	<b>6,000</b>	<b>321,887</b>

“Deferred income” for royalties refer to invoicing for revenues which will mature in the following year.

40. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The details of the guarantees given are as follows:

	December 31, 2021	December 31, 2020	Change
- Guarantees to: subsidiaries	131,550,000	97,150,000	34,400,000
<b>Total</b>	<b>131,550,000</b>	<b>97,150,000</b>	<b>34,400,000</b>

- *Sureties given on behalf of subsidiaries*

The sureties given on behalf of the subsidiaries refer for Euro 900 thousand to the guarantee given to the Unicredit Group on behalf of Basic Village S.p.A. against the loan granted in 2007 for the purchase of the building, guaranteed also by a first level mortgage on the building, for Euro 915 thousand to the guarantee given in 2008 by Intesa Sanpaolo S.p.A. on behalf of BasicItalia S.p.A. against 50% of the mortgage loan granted for the purchase of the building and for the remainder, Euro 129.7 million, guarantees given on behalf of BasicItalia S.p.A., the Kappa Europe Group, Basic Trademark S.r.l. and K-Way S.p.A., to various credit institutions, to guarantee the commercial credit lines. The increase in the period is due to the guarantees provided in favour of the newly incorporated K-Way S.p.A.

Finally, the shares of TOS S.r.l. are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017.

41. OPERATIONS UNDER COMMON CONTROL

During the year, the Group completed the internal reorganisation of K-Way's operations, with its concentration within the company: this initiative, which does not entail any change in the Group's ownership structure or equity structure, supports a better focus on the brand.

In particular, the project involved

- the spin-off of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for K-Way brand stores, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff and the guaranteed loan granted in 2020 by Banco BPM) from BasicRetail S.r.l. to the newly established K-Way Retail S.r.l.;
- the renaming of BasicRetail Suisse S.A., the company operating the K-Way outlet in Mendrisio, to K-WayRetail Suisse S.A.;
- the transfer of the business unit relating to the management and development of the K-Way brand (including, among other things, the K-Way® brand, patents and moulds, models, the sample warehouse and other activities linked to the business system, all contracts with commercial and production licensees, and working relationships with the personnel involved in the development of the collections and global marketing) from BasicNet S.p.A. to the newly-established K-Way S.p.A.;
- the spin-off of the business unit relating to the commercial activity (including, among other things, 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 operational marketing staff).

These corporate transactions, considered as transactions under common control, have multiple impacts on these financial statements.

In the absence of specific *guidance* for transactions under common control, the Company, applying the prevailing practice and the Assirevi OPI 1R document, considered the economic substance of the contribution as existing and therefore applied the accounting model of IFRS 3 ("acquisition method"). In order to determine the most appropriate accounting approach, in line with the criteria established by IAS 8.10, the economic substance of the transaction as a whole has been considered a critical element rather than the mere legal structure put in place to implement it. The choice of the criterion adopted therefore derives primarily from the effective reorganization of operating activities, from a substantial rather than legal point of view - with the already described aims of greater proximity to the markets, rationalization and efficiency of functions - which will have to guarantee greater generation of future added value for all the entities involved.

In this context, the transferred business was therefore recorded by the transferee at its real value, which was higher than the net book value of the assets and liabilities comprising it in the books of the transferee, BasicNet S.p.A. The real value of the business was the subject of a specific appraisal by an independent third party, pursuant to art. 2343 of the Italian Civil Code, whose findings were further confirmed by a subsequent appraisal drawn up for the purposes of art. 2343-quater of the Italian Civil Code.

Therefore, the transfer of the K-Way business unit against the capital increase resolved by the Shareholders' Meeting of K-Way S.p.A. entailed

- the increase in the value of the shareholding in K-Way S.p.A. held by the Company amounting to € 70 million;
- a reduction of 9.5 million euros in non-current assets relating to trademarks, registrations, domains, moulds and electronic machines;
- a reduction in inventories of 845 thousand euros, entirely covered by the allowance for doubtful accounts;
- a reduction in liabilities relating to post-employment benefit, payroll accruals and net deferred tax liabilities totalling Euro 333 thousand;
- extraordinary income from contributions of Euro 60.9 million.

The transaction was carried out under the tax neutrality regime, pursuant to the provisions of the Consolidated Law on Income Taxes in force.

Moreover, from H2 and as a result of the aforementioned transaction, the Company no longer includes in its revenues the flow of royalties from commercial licensees, sourcing commissions from production licensees and sales of samples originating from the K-Way brand, and instead recognises remuneration for the *Powered by* activity from this subsidiary.

The spin-off of the K-Way business unit from BasicItalia S.p.A. to K-Way S.p.A. - both fully controlled by BasicNet S.p.A.- entailed for the Company the reclassification of a portion of the equity investment amounting to Euro 25.7 million (resulting from a gross value of Euro 47.6 million and a write-down provision of Euro 21.9 million). The accounting treatment of this transaction, which also utilises a tax neutrality regime, was carried out in continuity of accounting values between the spin-off and the beneficiary, as provided for by the prevailing practice and the Assirevi document OPI 2R.

#### 42. 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:

<i>(Euro thousands)</i>	Financial instruments at fair value recorded through:		Financial instruments at amortised cost	Non-listed investments valued at cost	Book value at 31.12.2021	Fair value As at 31.12.2021
	Income Statement	Shareholders Equity				
<b>Assets:</b>						
Equity invest. & other financial assets	-	-	-	105,855	<b>105,855</b>	<b>105,855</b>
Cash and cash equivalents	-	-	1,451	-	<b>1,451</b>	<b>1,451</b>
Trade receivables	-	-	6,412	-	<b>6,412</b>	<b>6,412</b>
Other current assets	-	-	71,123	-	<b>71,123</b>	<b>71,123</b>
Derivative financial instruments	-	-	-	-	-	-
<b>Liabilities:</b>						
Medium/long-term loans	-	-	10,776	-	<b>10,776</b>	<b>10,776</b>
Bank payables	-	-	12,855	-	<b>12,855</b>	<b>12,855</b>
Trade payables	-	-	4,322	-	<b>4,322</b>	<b>4,322</b>
Other current liabilities	-	-	12,378	-	<b>12,378</b>	<b>12,378</b>
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 2021, exchange losses were recorded of Euro 107 thousand, while unrealised exchange gains were recorded of Euro 221 thousand, for a net exchange gain of Euro 114 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:

	<b>December 31, 2021</b>	<b>%</b>	<b>December 31, 2020</b>	<b>%</b>
Fixed rate	5,510,755	23.3%	5,501,192	16.1%
Variable rate	18,120,050	76.7%	28,605,499	83.9%
<b>Gross debt</b>	<b>26,630,805</b>	<b>100.0%</b>	<b>34,106,691</b>	<b>100.0%</b>

The interest on the short-term credit lines are on an average 1.05% in accordance with the type of lending, as illustrated in Note 31.

Where at December 31, 2021 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 +186 thousand and Euro -186 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. 48.1% of trade receivables at December 31, 2021.

**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>(in Euro thousands)</i>	<b>Book value</b>	<b>Future interest income/ (expense)</b>	<b>Contractual cash flows</b>	<b>Within 1 year</b>	<b>From 1 to 5 years</b>	<b>Beyond 5 years</b>
“Intesa Loan - FCG”	5,500	168	5,668	402	5,266	-
“BNL Loan”	1,875	6	1,881	1,255	626	-
“MPS Loan”	8,125	127	8,252	3,329	4,924	-
Lease payables	120	4	124	57	67	-
Payables for rights-of-use	8,441	211	8,652	1,824	6,815	14
<b>Total financial liabilities</b>	<b>24,061</b>	<b>517</b>	<b>24,578</b>	<b>6,867</b>	<b>17,697</b>	<b>14</b>

**Default and debt covenant risk**

The risk that the loans within the company contain clauses (covenants) which allow the counterparties to request the creditor on the occurrence of certain events or circumstances the immediate repayment of the sums granted and not yet due, generating a liquidity risk.

There are no covenants on the loans in place.

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

The transactions undertaken by BasicNet S.p.A. with the companies belonging to the Group in the ordinary management and regulated at market conditions were:

- Organisational, commercial, IT, and administrative services in accordance with specific contracts;
- The granting of rights for the use of know-how developed on the products;
- the license for the K-Way brand to the subsidiary BasicItalia S.p.A.;
- Financial support for the management of the centralised treasury, relations with credit institutions, granting of sureties;
- the provision of *Powered by* services to K-Way S.p.A.;
- Commercial assistance, principally relating to the sale of clothing samples, catalogues and payment of commissions;
- Building rental for commercial use by Basic Village S.p.A.;
- Purchase of products by BasicItalia S.p.A. for gifts and promotional expenses;
- Financial income and charges matured on loans within the treasury centralised management system, at market rates.

The income statement effects deriving from these transactions are summarised as follows:

**REVENUES**

<b>BasicNet Group companies</b>	<b>Direct sales</b>	<b>Other income</b>	<b>Royalty income</b>	<b>Financial income</b>	<b>Total</b>
BasicItalia S.p.A.. with sole shareholder	1,330,154	325,355	4,407,191	123,754	<b>6,186,454</b>
Superga Trademark S.r.l. with sole shareholder	-	5,200,000	-	-	<b>5,200,000</b>
Kappa France S.a.s.	125,540	20,000	1,318,689	14,422	<b>1,478,650</b>
TOS S.r.l. with sole shareholder	-	230,000	-	98,761.	<b>328,761</b>
BasicNet Asia Ltd. (Hong Kong)	7,349	-	-	-	<b>7,349</b>
Preppy Cotton AG	1,006	-	56,051	-	<b>57,057</b>
Basic Village S.p.A.. with sole shareholder	-	80,000	-	2,904	<b>82,904</b>
BasicNet Asia Company Limited (Vietnam) Ltd	7,403	-	-	-	<b>7,403</b>
Jesus Jeans S.r.l. with sole shareholder	-	6,000	-	-	<b>6,000</b>
K-Way S.p.A. with sole shareholder	2,318	489,863	-	-	<b>492,181</b>
K-WayRetail S.r.l. with sole shareholder	-	10,000	-	-	<b>10,000</b>
BasicAir S.r.l. with sole shareholder	-	27,000	-	-	<b>27,000</b>
K-WayRetail SUISSE S.A. (formerly BasiRetail SUISSE)	-	10,000	-	-	<b>10,000</b>
BasicRetail S.r.l. with sole shareholder	-	130,000	-	-	<b>130,000</b>
<b>Total revenues</b>	<b>1,473,769</b>	<b>6,528,218</b>	<b>5,781,931</b>	<b>239,841</b>	<b>14,023,759</b>

**COSTS**

<b>BasicNet Group companies</b>	<b>Cost of sales</b>	<b>Cost per sponsor</b>	<b>Selling, general and administrative costs, royalties expenses</b>	<b>Total</b>
Basic Village S.p.A.. with sole shareholder	-	-	(659,174)	<b>(659,174)</b>
BasicNet Asia Ltd. (Hong Kong)	-	-	(687,919)	<b>(687,919)</b>
BasicNet Asia Company Limited (Vietnam) Ltd.	-	-	(352,362)	<b>(352,362)</b>
K-Way S.p.A. with sole shareholder	-	(19,713)	-	<b>(19,713)</b>
K-WayRetail S.r.l. with sole shareholder	-	(9,681)	-	<b>(9,681)</b>
Jesus Jeans S.r.l. with sole shareholder	-	-	(12,000)	<b>(12,000)</b>
Kappa France S.a.s.	(83,472)	-	-	<b>(83,472)</b>
BasicItalia S.p.A.. with sole shareholder	-	(467,313)	-	<b>(467,313)</b>
BasicRetail S.r.l. with sole shareholder	-	(199,576)	-	<b>(199,576)</b>
<b>Total costs</b>	<b>(83,472)</b>	<b>(696,283)</b>	<b>(1,711,454)</b>	<b>(2,491,210)</b>

The effects of the transfer of the K-Way business to the subsidiary of the same name, described in detail in note 41 above and to which reference should be made in full, are not reported in this note as they are outside the scope of ordinary operations.

A breakdown of the transactions with related parties with reference to the note to which they refer for the year 2021 is shown below:

	<b>Investments</b> (Note 23)	<b>Receivables</b> (Note 26)	<b>Payables</b> (Note 38)	<b>Revenues</b> (Note 43)	<b>Costs</b> (Note 43)
Subsidiaries	105,822,624	68,620,732	9,282,020	14,023,759	2,491,210
Interests in joint ventures:	-	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,893,018
<b>Total</b>	<b>105,822,624</b>	<b>68,620,732</b>	<b>9,282,020</b>	<b>14,023,759</b>	<b>6,384,228</b>

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati and by Studio Legale Cappetti, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with BasicWorld S.r.l.. The agreement shall run until July 31, 2023. The exercise price of the Call Option by BasicWorld shall be equal to the cost incurred by BasicNet for the purchase of the Collection, as resulting from the accounting entries of BasicNet, in addition to a financial interest charge equal to the average rate applied to BasicNet at the exercise option date. The agreement was signed based on the eventual interest of BasicNet S.p.A. to sell the collection to guarantee the complete recovery of the costs incurred, including financial charges, utilising in the meantime the benefits which derive from such communication instruments for their brands and/or products.

#### 44. 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, in addition to the contribution referred to in Note 41 above, the impacts of which are summarised below:

<i>(Euro thousands)</i>	<b>Net Equity</b>	<b>Net profit/(loss)</b>	<b>Net financial debt</b>	<b>Cash flows</b>
Business unit transferred	(9,103)		-	-
Shareholding in K-Way S.p.A.	70,000		-	-
<b>Non-recurring income</b>	<b>60,897</b>	<b>60,897</b>	-	-

#### 45. CONTINGENT LIABILITIES/ASSETS

The BasicNet Group is involved in some legal disputes of a commercial nature which are not expected to give rise to significant liabilities.

Other disputes are described in the Explanatory Notes in the consolidated financial statements (Note 53).

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

Dear Shareholders,

we submit, for your deliberation, the following:

**MOTION**

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2021 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, 2021, in relation to each individual part and in its entirety.

**PROPOSAL FOR THE ALLOCATION OF NET PROFIT FOR THE YEAR 2021 AND DIVIDEND DISTRIBUTION. RESOLUTIONS THEREON.**

Dear Shareholders,

We propose the allocation of the net profit of Euro 65,689,195.35 as follows:

▪ to unrealised exchange gains reserve	Euro	46,502.66
▪ to conferment reserve	Euro	60,903,372.50
▪ to the shareholders by way of dividend, the residual amount equal to	Euro	4,739,320.19

Furthermore, in order to remunerate shareholders in line with previous years, we propose supplementing the dividend paid to shareholders by taking Euro 1,400,311.81 from retained earnings and distributing a dividend of Euro 0.12 to each of the 51,163,602 ordinary shares in circulation (excluding the 9,830,000 treasury shares held at March 3, 2022) for an amount of Euro 6,139,632.24.

As a result, “retained earnings” will decrease from Euro 44,247,428,60 to Euro 42,847,116,55.

The dividend will be paid from April 27, 2022, with record date of April 26, 2022 and coupon date (No. 15) of April 25, 2022.

We also propose authorising the company representatives, with individual signatory powers, to determine the actual amount to be taken from retained earnings based on the actual number of shares in circulation with dividend rights and on any rounding that may take place when making the actual 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 65,689,195.35, as presented above, and the proposed payment of a dividend of Euro 0.12 to each of the ordinary shares in circulation and entitled to receive dividends on the coupon date.

.

Turin, March 3, 2022

for the Board of Directors

**The Chairperson**

Marco Daniele Boglione

## ATTACHMENT 1

**DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S  
REGULATION**

<b>Type of service</b>	<b>Service provider</b>	<b>Company</b>	<b>Fees earned 2021</b>
Audit	EY S.p.A.	Parent BasicNet S.p.A.	64,500
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
Other services	EY S.p.A.	Parent BasicNet S.p.A.	-
<b>Total</b>			<b>64,500</b>

**ATTACHMENT 2**  
**Page 1 of 4**

**INVESTMENTS AT DECEMBER 31, 2021**

(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>							
<b>BASIC AIR S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo Maurizio Vitale, 1 10152 TURIN</i>							
Share capital Euro 3,000,000	3,000,000	2,097,887	(63,097)	100.00	-	2,097,887	3,000,000
<b>BASIC ITALIA S.p.A.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Strada della Cebrosa, 106 10156 TURIN</i>							
Share Capital Euro 7,650,000	7,650,000	39,039,492	1,834,040	100.00	-	39,039,492	762,077
<b>BASICNET ASIA LTD.</b>							
<i>15 floor, Linkchart Centre No.2 Tai Yip Street Kwun Tong, Kowloon HONG KONG</i>							
Share capital HKD 10,000.	1,132	336,693	31,114	100.00	-	336,693	927
<b>BASICNET ASIA COMPANY LIMITED (VIETNAM) Ltd..</b>							
<i>Room 1002-1003, 10th Floor, Diamond Plaza Building 34 Le Duan Street, Ben Nghe Ward, District 1 - Ho Chi Minh City VIETNAM</i>							
Share capital DONG 462,600,000	18,041	36,529	13,696	100.00	-	36,529	18,135
<b>BASIC PROPERTIES AMERICA, INC.</b>							
<i>c/o Corporation Service Company 11 S 12th Street - PO BOX 1463 – Richmond VA 23218 – U.S.A.</i>							
Share capital USD 2,000	1,766	6,791,020	1,599,658	-	100.00	-	-
<b>BASICRETAIL S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Strada della Cebrosa, 106 10156 TURIN</i>							
Share capital Euro 10,000	10,000	6,324,890	(498,166)	-	100.00	-	-
<b>BASIC TRADEMARK S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo Maurizio Vitale, 1 10152 TURIN</i>							
Share Capital Euro 1,250,000.	1,250,000	33,025,532	7,929,697	100.00	-	33,025,532	3,657,747
<b>BASIC VILLAGE S.p.A.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo M. Vitale, 1 10152 TURIN</i>							
Share capital Euro 412,800	412,800	10,001,279	(115,913)	100.00	-	10,001,279	2,591,980
<b>JESUS JEANS S.r.l.</b>							
<b>WITH SOLE SHAREHOLDER</b>							
<i>Largo M. Vitale, 1 10152 TORINO</i>							
Share capital Euro 10,000	10,000	20,153	(2,186)	100.00	-	20,153	81,375

**ATTACHMENT 2**  
**Page 2 of 4**

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value	
<u>HOLDINGS IN SUBSIDIARY COMPANIES</u>								
<b>K-WAY S.p.A.</b> <b>WITH SOLE SHAREHOLDER</b> <i>Via dell'Aprica, 12</i> <i>20158 MILAN</i>	Share capital Euro 10,050,000	10,050,000	50,475,627	4,303,088	100.00	-	50,475,627	95,710,383
<b>K-WAYRETAIL S.r.l.</b> <b>WITH SOLE SHAREHOLDER</b> <i>Strada della Cebrosa, 106</i> <i>10156 TURIN</i>	Share capital Euro 10,000	10,000	2,505,846	2,516,548	-	100.00	-	-
<b>K-WAYRETAIL SUISSE S.A.</b> <i>Via Franco Zorzi, 18</i> <i>6850 MENDRISIO - SWITZERLAND</i>	Share capital CHF 100,000.	96,800	33,322	20,107	-	100.00	-	-
<b>KAPPA EUROPE S.a.s.</b> <i>41 Rue Bobby Sands</i> <i>44800 St Herblain Cedex - FRANCE</i>	Share capital Euro 3,926,400	3,926,400	(1,227,020)	(1,915,274)	-	100.00	-	-
<b>KAPPA FRANCE S.a.s.</b> <i>41 Rue Bobby Sands</i> <i>44800 St Herblain Cedex - FRANCE</i>	Share capital Euro 3,090,000	3,090,000	2,019,182	642,614	-	100.00	-	-
<b>KAPPA RETAIL MONACO S.a.r.l.</b> <i>1, Promenade Honorè II</i> <i>98000 Monaco</i>	Share capital Euro 15,000	15,000	579,366	382,560	-	100.00	-	-
<b>KAPPA SPORT IBERIA S.L.</b> <i>Avda. de Europa, 26 - módulo 2B</i> <i>28224 Pozuelo De Alarcón-Madrid</i> <i>SPAIN</i>	Share Capital Euro 505.588	505,588	(211,976)	603,956	-	100.00	-	-
<b>PREPPY COTTON S.A.</b> <i>Renzligenstrasse 31</i> <i>6260 MENDRISIO - SWITZERLAND</i>	Share Capital Euro 101,105	101,105	1,983,418	207,989	-	100.00	-	-
<b>SPORT FASHION DISTRIBUTION UK Ltd.</b> <i>Richmond House, 15 Bloom Street</i> <i>M1 3HZ Manchester - UK</i>	Share capital GBP 1	1.190	231,641	11,019	-	100.00	-	-
<b>SPORT FASHION RETAIL S.a.r.l.</b> <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	-	-

**ATTACHMENT 2**  
**Page 3 of 4**

Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book Value
<u>HOLDINGS IN SUBSIDIARY COMPANIES</u>							
<b>TEXTILES D'ARTOIS S.a.r.l.</b> 4 Rue D'Acq 62144 Haute Avesnes- FRANCE Share capital Euro 3,000	3,000	(124,463)	(102,332)	-	100.00	-	-
<b>TOS S.r.l.</b> <b>WITH SOLE SHAREHOLDER</b> Largo M. Vitale, 1 10152 Turin Share capital Euro 10,000	10,000	2,263,145	791,889	-	100.00	-	-
<u>JOINT VENTURES</u>							
<b>FASHION S.r.l.</b> C.so Stati Uniti, 41 10129 TURIN Share capital Euro 100,000	100,000	160,781	(12,320)	-	50.00	-	-

**ATTACHMENT 2**  
**Page 4 of 4**

**INVESTMENTS AT DECEMBER 31, 2021**

Name/Registered office/Share capital	31/12/2020 Book Value	Acquisitions/ Incorporations/ Conferments	Capital payments to cover losses	Impairments investments	Disposals	31/12/2021 Book value	% held Parent
<i><u>HOLDINGS IN</u></i>							
<i><u>HOLDINGS IN SUBSIDIARY</u></i>							
<i><u>COMPANIES</u></i>							
BasicRetail S.r.l. with sole shareholder	3,000,000	-	-	-	-	3,000,000	100%
BasicItalia S.p.A.. with sole shareholder	26,422,460	-	-	-	(25,660,383)	762,077	100%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
BasicNet Asia Company Limited (Vietnam) Ltd.	18,135	-	-	-	-	18,135	100%
Superga Trademark S.r.l. with sole shareholder	3,657,747	-	-	-	-	3,657,747	100%
Basic Village S.p.A.. with sole shareholder	2,591,980	-	-	-	-	2,591,980	100%
K-Way S.p.A. with sole shareholder	-	95,710,383	-	-	-	95,710,383	100%
Jesus Jeans S.r.l. with sole shareholder	81,375	-	-	-	-	81,375	100%
<b><i>TOTAL SUBSIDIARY COMPANIES</i></b>	<b><i>35,772,624</i></b>	<b><i>95,710,383</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>(25,660,383)</i></b>	<b><i>105,822,624</i></b>	
<i><u>HOLDINGS IN</u></i>							
<i><u>OTHER COMPANIES:</u></i>							
Consortiums & other minor	127	-	-	-	-	127	
<b><i>TOTAL OTHER COMPANIES</i></b>	<b><i>127</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>127</i></b>	
<b>TOTAL INVESTMENTS</b>	<b>35,772,751</b>	<b>95,710,383</b>	<b>-</b>	<b>-</b>	<b>(25,660,383)</b>	<b>105,822,751</b>	
<i><u>FINANCIAL RECEIVABLES</u></i>							
Other receivables (guarantees)	31,983	-	-	-	-	31,983	-
<b><i>TOTAL RECEIVABLES</i></b>	<b><i>31,983</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>-</i></b>	<b><i>31,983</i></b>	
<b>TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS</b>	<b>35,804,734</b>	<b>95,710,383</b>	<b>-</b>	<b>-</b>	<b>(25,660,383)</b>	<b>105,854,734</b>	

## ANNEX 3

**DECLARATION OF THE FINANCIAL STATEMENTS PURSUANT TO ARTICLE 154-BIS  
PARAGRAPH 3 AND 4-BIS OF LEGISLATIVE DECREE NO. 58 OF FEBRUARY 24, 1998  
“FINANCIAL INTERMEDIATION ACT”**

The undersigned Marco Daniele Boglione as Executive Chairman, Federico Trono as Chief Executive Officer and Paola Bruschi as Executive Officer for Financial Reporting of BasicNet S.p.A., affirm, and also in consideration of Article 154-bis, paragraphs 3 and 4, of Legislative Decree No. 58 of February 24, 1998: the adequacy for company operations and the effective application, of the administrative and accounting procedures for the preparation of the 2021 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**

Independent auditor's report pursuant to article 14 of Legislative Decree n. 39, dated 27 January 2010 and article 10 of EU Regulation n. 537/2014

(Translation from the original Italian text)

To the Shareholders of  
BasicNet S.p.A.

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of BasicNet S.p.A. (the Company), which comprise the statement of financial position as at December 31, 2021, and income statement, the comprehensive income statement, the cash flows statement and the statement of changes in shareholders' equity for the year then ended, and the explanatory notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2021, and of its financial performance and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005.

### Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (ISA Italia). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Company in accordance with the regulations and standards on ethics and independence applicable to audits of financial statements under Italian Laws. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We identified the following key audit matters:

Key Audit Matter	Audit response
<p>Business combinations under common control</p> <p>During the year, and for the purpose of K-Way business reorganization, the Company transferred the K-Way business to the newco K-Way S.p.A., a fully owned subsidiary of the Company. This transfer meets the criteria of a business combination under common control which is outside of the scope of IFRS 3. In the absence of a specific guidance related to business combinations under common control, to determine the proper accounting treatment the Company, in accordance with IAS 8.10, has concluded to primarily consider the economic substance of the transfer of such business as a whole. Given the existence of the economic substance of the transfer, the Company applied the “acquisition method”. Therefore, the K-Way business has been accounted for at its fair value by the receiving company, based on an appraisal prepared by a third-party expert in accordance with art.2343 of the Italian Civil Code. At the level of the transferring company, the transfer has resulted in:</p> <ul style="list-style-type: none"> <li>• The recognition of the investment in K-Way S.p.A. for Euro 70 million.</li> <li>• An extraordinary non recurring gain for Euro 60.9 million.</li> </ul> <p>Considering the level of judgement and the complexity of the assumptions used in determining the fair value of the business transferred, as well as the significant accounting impacts at the transferring company level and being the transfer a transaction between related parties, we concluded that this is a key audit matter.</p> <p>The disclosure related to the Business combination under common control is included in note 41 “Business combination under common control” of the financial statements.</p>	<p>Our audit procedures in response to this key audit matter included, among others:</p> <ul style="list-style-type: none"> <li>▶ The understanding and assessment of the reasonableness of the key assumptions underlying the accounting treatment adopted by the Company to account for the transfer;</li> <li>▶ The assessment of the underlying assumptions used in the appraisal prepared by the third-party experts in relation to the K-Way business transferred with particular reference to: <ul style="list-style-type: none"> <li>• the consistency of the criteria and methodology applied by the third-party expert;</li> <li>• the consistency of the cash flows forecasts of the K-Way business transferred as compared to the Group’s business plan;</li> <li>• the evaluation of historical accuracy of the forecasts by comparison to actual results;</li> <li>• the assessment of the long-term growth rates and discount rates.</li> </ul> </li> <li>• The assessment of the proper recognition of the accounting impacts in relation to the method applied.</li> </ul> <p>In performing our procedures, we involved our specialists in valuation techniques, who have performed independent calculations and sensitivity analyses of the key assumptions in order to determine which changes could materially affect the valuation of the K-Way business transferred.</p> <p>Lastly, we reviewed the adequacy of the disclosures provided in the explanatory notes of the financial statements in respect to the business combinations under common control.</p>

## Responsibilities of Directors and Those Charged with Governance for the Financial Statements

The Directors are responsible for the preparation of the financial statements that give a true and fair view in accordance with International Financial Reporting Standards as adopted by the European Union and with the regulations issued for implementing art. 9 of Legislative Decree n. 38/2005, and, within the terms provided by the law, for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

The Directors are responsible for assessing the Company's ability to continue as a going concern and, when preparing the financial statements, for the appropriateness of the going concern assumption, and for appropriate disclosure thereof. The Directors prepare the financial statements on a going concern basis unless they either intend to liquidate the or to cease operations or have no realistic alternative but to do so.

The statutory audit committee ("Collegio Sindacale") is responsible, within the terms provided by the law, for overseeing the Company's financial reporting process.

## Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with International Standards on Auditing (ISA Italia) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with International Standards on Auditing (ISA Italia), we have exercised professional judgment and maintained professional skepticism throughout the audit. In addition:

- we have identified and assessed the risks of material misstatement of the financial statements, whether due to fraud or error, designed and performed audit procedures responsive to those risks, and obtained audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- we have obtained an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control;
- we have evaluated the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;

- we have concluded on the appropriateness of Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to consider this matter in forming our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern;
- we have evaluated the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We have communicated with those charged with governance, identified at an appropriate level as required by ISA Italia, regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We have provided those charged with governance with a statement that we have complied with the ethical and independence requirements applicable in Italy, and we have communicated with them all matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we have determined those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We have described these matters in our auditor's report.

#### Additional information pursuant to article 10 of EU Regulation n. 537/14

The shareholders of BasicNet S.p.A., in the general meeting held on 27 April 2017, engaged us to perform the audits of the financial statements for each of the years ending December 31, 2017 to December 31, 2025.

We declare that we have not provided prohibited non-audit services, referred to article 5, par. 1, of EU Regulation n. 537/2014, and that we have remained independent of the Company in conducting the audit.

We confirm that the opinion on the financial statements included in this report is consistent with the content of the additional report to the audit committee (Collegio Sindacale) in their capacity as audit committee, prepared pursuant to article 11 of the EU Regulation n. 537/2014.

## Report on compliance with other legal and regulatory requirements

### Opinion on the compliance with Delegated Regulation (EU) 2019/815

The Directors of BasicNet S.p.A. are responsible for applying the provisions of the European Commission Delegated Regulations (EU) 2019/815 for the regulatory technical standards on the specification of a single electronic reporting format (ESEF – European Single Electronic Format) (the “Delegated Regulation”) to the financial statements, to be included in the annual financial report.

We have performed the procedures under the auditing standard SA Italia n. 700B, in order to express an opinion on the compliance of the financial statements with the provisions of the Delegated Regulation.

In our opinion, the financial statements have been prepared in the XHTML format and have been marked-up, in all material aspects, in compliance with the provisions of the Delegated Regulation.

### Opinion pursuant to article 14, paragraph 2, subparagraph e), of Legislative Decree n. 39 dated 27 January 2010 and of article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998

The Directors of BasicNet S.p.A. are responsible for the preparation of the Report on Operations and of the Report on Corporate Governance and Ownership Structure of BasicNet S.p.A. as at December 31, 2021, including their consistency with the related financial statements and their compliance with the applicable laws and regulations.

We have performed the procedures required under audit standard SA Italia n. 720B, in order to express an opinion on the consistency of the Report on Operations and of specific information included in the Report on Corporate Governance and Ownership Structure as provided for by article 123-bis, paragraph 4, of Legislative Decree n. 58, dated 24 February 1998, with the financial statements of BasicNet S.p.A. as at December 31, 2021 and on their compliance with the applicable laws and regulations, and in order to assess whether they contain material misstatements.

In our opinion, the Report on Operations and the above mentioned specific information included in the Report on Corporate Governance and Ownership Structure are consistent with the financial statements of BasicNet S.p.A. as at December 31, 2021 and comply with the applicable laws and regulations.

With reference to the statement required by art. 14, paragraph 2, subparagraph e), of Legislative Decree n. 39, dated 27 January 2010, based on our knowledge and understanding of the entity and its environment obtained through our audit, we have no matters to report.

Statement pursuant to article 4 of Consob Regulation implementing Legislative Decree n. 254, dated 30 December 2016

The Directors of BasicNet S.p.A. are responsible for the preparation of the non-financial information pursuant to Legislative Decree n. 254, dated 30 December 2016. We have verified that non-financial information has been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information is subject to a separate compliance report signed by us.

Turin, 22 March 2022

EY S.p.A.

Signed by: Stefania Boschetti, Auditor

*This independent auditor's report has been translated into the English language solely for the convenience of international readers. Accordingly, only the original text in Italian language is authoritative.*

**RELAZIONE DEL COLLEGIO SINDACALE  
ALL'ASSEMBLEA DEGLI AZIONISTI  
(ai sensi dell'art. 153 del D. Lgs. 58/1998)**

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 2021.

**PREMESSA**

Il Collegio Sindacale in carica alla data della presente relazione è composto da Maria Francesca Talamonti (Presidente), Sergio Duca (componente effettivo) e Alberto Pession (componente effettivo), nominati dall'Assemblea degli Azionisti del 19 aprile 2019.

Sono sindaci supplenti Giulia De Martino e Maurizio Ferrero (nominati dall'Assemblea degli Azionisti del 19 aprile 2019).

Il Collegio Sindacale nel 2022 terminerà, dunque, il proprio mandato.

Nel corso dell'esercizio chiuso al 31 dicembre 2021 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 Autodisciplina delle società quotate promosso da Borsa Italiana, cui la Società ha dichiarato di aderire.

L'attività di vigilanza è stata svolta nel corso delle n. 10 riunioni del Collegio Sindacale tenutesi nel corso del 2021, assistendo alle n. 8 riunioni del Consiglio di Amministrazione, partecipando altresì alle n. 2 assemblee degli azionisti tenutesi in data 8 aprile 2021 e 29 luglio 2021, alle n. 11 riunioni del Comitato Controllo e Rischi e (per il tramite del Presidente del Collegio Sindacale) alle n. 4 riunioni del Comitato per la Remunerazione.

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;
- anche alla luce dell'emergenza sanitaria che ha continuato a caratterizzare anche l'esercizio 2021, il Collegio ha incrementato e rafforzato i flussi informativi con il dirigente preposto e la società di revisione, al fine di monitorare con attenzione gli impatti economico-finanziari della pandemia da Covid-19;
- segnala le seguenti operazioni ed eventi di particolare rilevanza nel 2021:
  - o costituzione K-Way SpA: nel mese di febbraio 2021 è stata costituita K-Way SpA,

- con l'obiettivo di far confluire nella società tutte le attività del gruppo riconducibili al marchio. A tal fine: (i) BasicNet ha conferito a K-Way SpA, con effetto dal 1° luglio, il ramo d'azienda inclusivo del marchio, dei modelli, dei contratti, del magazzino campionari e di tutte le attività legate al Business System; (ii) BasicItalia ha deliberato la scissione a favore di K-Way SpA del ramo di azienda riferito alla relativa licenza commerciale, inclusivo delle attività e del personale di vendita dei prodotti a marchio K-Way. L'operazione non ha comportato una modifica di assetti proprietari, né di struttura patrimoniale del Gruppo;
- o acquisizione K-Way France: a fine dicembre, BasicNet e K-Way France Sas, società licenziataria del marchio K-Way in Francia, hanno raggiunto un accordo (sottoscrivendo una lettera di intenti) per l'acquisto dell'intero capitale sociale di K-Way France da parte del Gruppo BasicNet. L'operazione, che dovrebbe perfezionarsi entro il 30 giugno 2022, è subordinata all'esito positivo della *due diligence* legale, fiscale e giuslavoristica;
  - 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 2021;
  - 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), in ottemperanza del quale si ricorda che la Società ha provveduto alla nomina del c.d. *Data Protection Office*;
  - 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 marzo 2021 il Collegio si è espresso sulla proposta del Comitato Remunerazione di attribuire al Presidente del Consiglio di Amministrazione un importo *una tantum*, motivato dai risultati gestionali e strategici conseguiti nel corso del 2020. Il Collegio ha, *in primis*, richiamato l'attenzione del Comitato Remunerazione sull'opportunità di valutare preliminarmente (per il tramite di un soggetto terzo) la remunerazione del Presidente alla luce dei valori espressi dal mercato per figure (e società) comparabili, al fine di pervenire a una determinazione del *quantum* coerente non solo con il ruolo e le responsabilità del Presidente, ma anche con i *benchmark* di mercato. All'esito dell'istruttoria svolta dal Comitato, il Collegio si è positivamente espresso con riferimento (i) alla coerenza della proposta rispetto alla politica di remunerazione da

ultimo approvata dall'Assemblea dei soci di BasicNet, (ii) alla correttezza dell'iter procedurale seguito rispetto a quanto previsto dalle norme e dalla politica di remunerazione di BasicNet, nonché (iii) alla corretta istruzione del processo decisionale seguito dal Comitato Remunerazione;

- 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 2021 si è riunito n. 8 volte;
  - il Comitato Controllo e Rischi (che riveste anche la funzione di Comitato Parti Correlate) nel corso dell'esercizio 2021 si è riunito n. 11 volte;
  - il Comitato per la Remunerazione nel corso dell'esercizio 2021 si è riunito n. 4 volte;
  - l'Organismo di Vigilanza nel corso dell'esercizio 2021 si è riunito n. 4 volte.
- *Attività di vigilanza sul rispetto dei principi di corretta amministrazione e 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, secondo quanto previsto dal Codice di Corporate Governance.

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:

- ha vigilato sulle modalità di concreta attuazione delle regole di governo societario previste da codici di comportamento ai quali la Società, mediante informativa al pubblico e sulla base del principio del “*comply or explain*”, dichiara di attenersi, esprimendo – di volta in volta – le proprie raccomandazioni. In linea generale, nel corso del 2021 ha continuato a ribadire come, pur tenendo conto della discrezionalità che caratterizza l'applicazione delle previsioni del Codice, sia auspicabile che BasicNet cerchi di puntare al massimo livello di adesione possibile, riducendo al minimo – compatibilmente con la natura e le caratteristiche della Società – le casistiche di *explain*;
- ha preso atto che la *Relazione sul governo societario e gli assetti proprietari* relativa al 2021, approvata in data 3 marzo 2022, in adempimento degli obblighi normativi e regolamentari in materia, contiene le informazioni sugli assetti proprietari, sull'adesione ai codici di comportamento e sull'osservanza degli impegni conseguenti, evidenziando le scelte che la Società ha effettuato nell'applicazione dei principi di autodisciplina.

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. A tale proposito, il Collegio rileva che (i) sono pervenute dai consiglieri, in relazione alla valutazione periodica da effettuarsi ai sensi del Codice di Autodisciplina, le dichiarazioni relative al possesso dei requisiti di indipendenza previsti dall'art. 148, comma 3, del TUF (richiamato dall'art. 147-ter, comma 4, del TUF) e (ii) con particolare riferimento alla posizione di un consigliere ritenuto indipendente nonostante la permanenza in carica da più di nove anni, il Consiglio di Amministrazione ha fornito una chiara e argomentata motivazione di tale scelta in relazione alla posizione e alle caratteristiche individuali del soggetto valutato.
- *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](http://www.basicnet.com) nella sezione *Corporate Governance BasicNet*).

Nel corso dell'esercizio 2021, 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 43 del bilancio di esercizio e nella nota 50 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 2021 ai componenti degli organi di amministrazione e controllo e ai Dirigenti con responsabilità strategiche sono indicate nella *Relazione sulla remunerazione 2021* 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 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 2021, 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 22 marzo 2022 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 2021, 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 2021, 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 2021, "*il Comitato ritiene che non siano emersi indicatori che inducano a 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 2021, 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 le relazioni dell'OdV sull'attività svolta nel corso del 2021, dalla quale emerge la necessità di aggiornare il Modello: "*si ritiene che il Modello Organizzativo, modificato il 30/10/2020, debba essere rivisto ed opportunamente integrato sia nella parte generale sia in riferimento alle parti speciali*", per recepire le nuove previsioni di reato introdotte dalla normativa. Il Collegio raccomanda un tempestivo adeguamento del Modello stesso. Dalla relazione non emergono ulteriori temi da sottoporre all'attenzione dell'Assemblea.

Già nel corso del 2020, il Collegio (di concerto con il Comitato Controllo e Rischi) aveva rilevato, nell'ambito della pianificazione degli obiettivi aziendali di breve-medio periodo, l'opportunità che BasicNet avviasse un percorso di sviluppo del proprio *framework* ERM (*Enterprise Risk Management*), al fine di consolidare e rafforzare un'efficace gestione dell'incertezza e dei rischi connessi, indirizzando il governo dei rischi prioritari e concorrendo alla definizione delle strategie aziendali.

Dando seguito (con un ritardo ascrivibile all'emergenza sanitaria verificatasi nel corso del 2020) alle raccomandazioni del Collegio, nel corso del 2021 la Società, con il supporto di Deloitte in qualità di consulente esterno, ha portato avanti un progetto finalizzato alla definizione di un modello strutturato di *risk management*, prendendo le mosse dai modelli e

dal *framework* già adottati dal Gruppo. Il Collegio ha seguito attivamente, nel corso degli incontri periodici con il consulente, l'evolversi del progetto, richiamando l'attenzione sulla sempre maggior centralità di un efficace processo di identificazione e di gestione dei rischi aziendali, soprattutto nell'ambito della crescita che ha caratterizzato il Gruppo negli ultimi anni.

In questa prospettiva, il Collegio ritiene auspicabile che tale crescita (anche prospettica) si accompagni a un potenziamento delle funzioni di controllo.

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 22 marzo 2022, 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 2021, 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 2021 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 2021; (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;

- o le citate relazioni non contengono rilievi né richiami di informativa;
- o 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 2021 EY ha prestato alle società controllate servizi diversi dalla revisione per un importo pari a Euro 10.000. Tali incarichi sono stati preventivamente approvati dal Collegio Sindacale e, sulla base delle verifiche effettuate, il Collegio non ha ritenuto che sussistessero criticità in ordine all'indipendenza della società di revisione.

I compensi corrisposti dal Gruppo BasicNet alla società di revisione EY e a società appartenenti alla rete EY sono i seguenti (importi in Euro):

Società e periodo di riferimento	Revisione contabile		Servizi di attestazione	Altri servizi	Totale
	EY	Network			
BasicNet SpA 2021	64.500	-	-	-	64.500
Società controllate 2021	-	214.875	3.000	7.000	224.875
<b>Totale</b>	<b>64.500</b>	<b>214.875</b>	<b>3.000</b>	<b>7.000</b>	<b>289.375</b>

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 22 marzo 2022, 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 2021, 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 22 marzo 2022, 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 3 marzo 2022, 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 2021, 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 2021**

Il Collegio Sindacale esprime parere favorevole all'approvazione del bilancio al 31 dicembre 2021 e non ha obiezioni da formulare in merito alla proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione dell'utile.

##### **2. Nomina del Consiglio di Amministrazione e del Collegio Sindacale**

Con l'approvazione del bilancio al 31 dicembre 2021 scadono il mandato del Consiglio di Amministrazione e del Collegio Sindacale nominati dall'Assemblea del 19 aprile 2019. Siete pertanto chiamati a nominare, ai sensi di legge e dello statuto, il nuovo Consiglio di Amministrazione e il nuovo Collegio Sindacale.

Con particolare riferimento alla nomina del nuovo organo di controllo, il Collegio Sindacale ricorda di aver rilasciato, in data 1° marzo 2022, il documento denominato "*Orientamenti del Collegio Sindacale agli azionisti sul rinnovo dell'organo di controllo che sarà eletto dall'assemblea del 13 aprile 2022*".

Con l'occasione, ringraziamo per la fiducia accordata a questo Collegio Sindacale per gli anni di mandato.

#### **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](http://www.consob.it)).

Torino, 22 marzo 2022

il Collegio Sindacale

Maria Francesca Talamonti (Presidente)



Sergio Duca (sindaco effettivo)



Alberto Pession (sindaco effettivo)

