BasicNet®

CONSOLIDATED & SEPARATE FINANCIAL STATEMENTS AT DECEMBER 31, 2023

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CORPORATE BOARDS

BOARD OF DIRECTORS

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

BOARD OF STATUTORY AUDITORS

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Alberto Pession	Statutory Auditor
Simonetta Mattei	Alternate Auditor
Riccardo Garbagnati	Alternate Auditor

INDEPENDENT AUDIT FIRM

EY S.p.A.

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

Marco Boglione, 1999

Dear Shareholders,

2023 Key Performance Indicators:

- **consolidated revenues** of Euro 396.8 million (Euro 386.1 million in 2022, +2.7%), which includes:
  - direct sales: Euro 332.8 million (Euro 312.7 million in 2022, +6.4%);
  - royalties from commercial and productive licensees: Euro 62.3 million (Euro 72.3 million in 2022, -13.9%);
- **aggregate sales** of Group products by the Global Network of Euro 1.141 billion, compared to Euro 1.27 billion in the previous year (-10.4%), as follows:
  - commercial and direct licensee sales of Euro 820.0 million (Euro 902.0 million in 2022, -9.1%).
  - productive licensee sales of Euro 321.0 million (Euro 371.1 million in 2022). -13.5%)

  Sales of the third party commercial licensees declined amid a settling of consumption on certain markets, against a preceding year which saw extraordinary growth. Meanwhile, sales on directly managed markets grew: Italy, France and Spain;
- **EBITDA:** Euro 58.1 million (Euro 60.9 million in 2022, -4.6%), with increased sponsorship and communication (+12.0%) and human resources investment (+17.7%), confirming the continued commitment to the consolidation and development of the Brands;
- **EBIT:** Euro 41.1 million (Euro 46.1 million in 2022, -10.9%), after amortisation and depreciation of Euro 8.9 million, increasing on 2022 as BasicVillage Milano becomes fully operational, and depreciation on the right-of-use for Euro 8.1 million, increasing due to the new openings (11 direct sales points), as part of retail segment development;
- net profit of Euro 24.4 million (Euro 30 million in 2022, -18.7%);
- **Net financial position:** debt of Euro 139.1 million, an improvement over the debt of Euro 141.7 million at December 31, 2022; **the net financial position with banks** improved to a debt of Euro 92.6 million, compared to a debt of Euro 93.9 million at December 31, 2022. Dividends of approx. Euro 9 million were distributed in 2023 and treasury shares acquired for Euro 2.5 million.

PARENT COMPANY KEY FINANCIAL HIGHLIGHTS:

- **EBITDA** of Euro -6.6 million (Euro 8.2 million in 2022);
- **net profit** amounted to Euro 20.1 million (Euro 11.2 million in 2022), including the write-back of impairments on investments for Euro 25.6 million.

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

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

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

THE GROUP AND ITS ACTIVITIES

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

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

STRENGTHS

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

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

1. Brand positioning

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

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

Robe di Kappa®

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.

SUPERGA®

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.

K-WAY®

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.

BRIKO® 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.

SEBAGO® 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.

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

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

2. The *Business System*

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

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

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

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

These "Powered by" activities mainly include:

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

The Brand owning companies undertake:

- research and development activities;
- global marketing.

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

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

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

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

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

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

3. *Web Integration*

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

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

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

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

STRUCTURE OF THE GROUP

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

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

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

- the strategic and "Powered by" activities described above and developed by BasicNet S.p.A. and by the Group Brand owning companies;
- the granting of the intellectual property rights of the BasicNet Group to the various licensee producers and distributors, as well as the administration of the contracts and management of related cash flows;
- the direct use and development of the intellectual property rights and of the products of all brands of the BasicNet Group for Italy and of Kappa in France and Spain, and K-Way in France, Spain and Switzerland. At the end of 2023, K-Way Retail Ireland was incorporated;
- the operational management of major sponsorship and merchandising contracts, some of which with international visibility, benefitting also the Network;
- the management of the Group brand sales points within the plug@sell project in Italy and of the direct sales points in France, Spain and Switzerland.

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

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

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

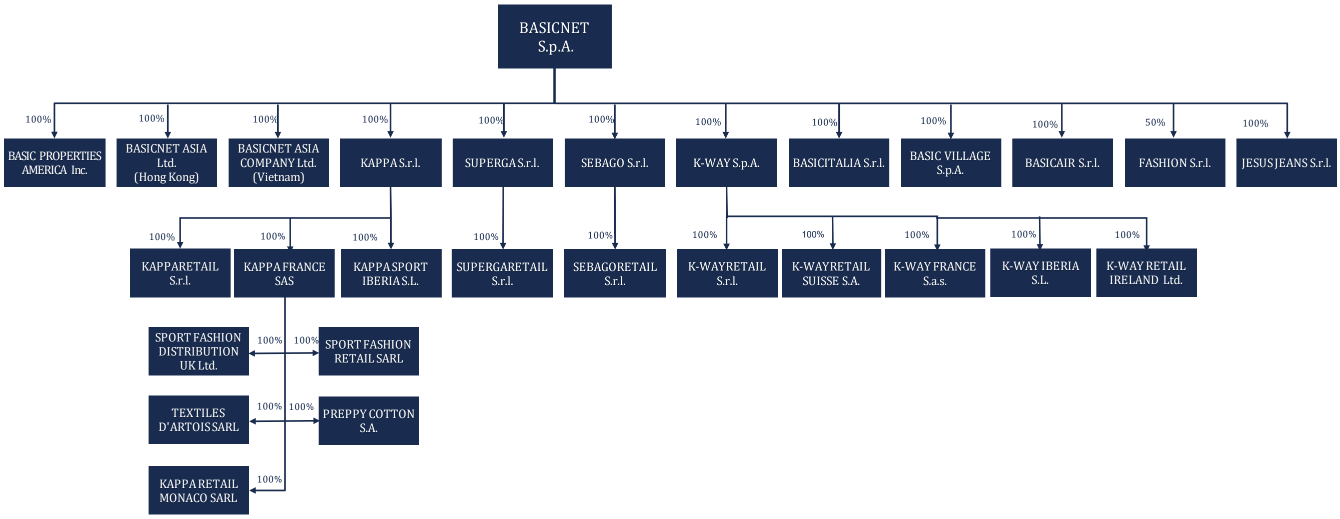
BUSINESS TARGETS

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

The Group project centres on:

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

The BasicNet Group structure at December 31, 2023 is presented below:



Following the corporate transactions launched in 2022 and finalised in 2023, all the brand owning companies are now under the direct control of BasicNet S.p.A..

2023 SIGNIFICANT EVENTS

Shareholding structure

A corporate reorganisation project was completed to bring under the direct control of BasicNet all of the individual brand-owning companies, launched at the beginning of 2022. From July 1, 2023, SupergaRetail S.r.l. and SebagoRetail S.r.l. were operational for the management of the direct domestic retail activities of their respective brands.
The project does not entail any change in the Group's ownership structure or equity structure.

REGIONAL COMMERCIAL PERFORMANCES

In 2023, eleven licensing agreements were renewed for Kappa®, thirteen for Superga®, one for Briko®, and two for Sebago®, and new agreements were signed for Kappa® in Germany and Poland, for K-Way® in the United States and Taiwan, and for Sebago® in Japan...

Major communication initiatives in 2023 include:

- for the Kappa® brand, we report: the new sponsorships of the Genoa Cricket and Football Club and of Spezia Calcio in Italy, of Real Valladolid in Spain, and of the DDS-7MP Triathlon Team that will participate in the 2024 Olympics in Paris; the beginning of the partnership between Kappa® and the South African football club Kaizer Chiefs; and the renewal of the partnership with the Italian Federation of Paralympic Winter Sports (FISIP). At the end of 2023, new partnerships were announced between Kappa® and Major League Rugby (MLR) in North America, as well as with the Madrilena Winter Sports Federation. In addition to the major sponsorship of the Renault Alpine Formula 1 team (in partnership with K-Way®), of the tenth Kappa® Future Festival, and of the #KEEPperforming "Winning Starts Within" campaign in 2023, a sponsorship agreement was also signed for the next three editions of the 24 Hours of Le Mans. Robe di Kappa® presented, for the fourth consecutive year, the AS Monaco football team's spring-summer lifestyle collection. During the year, the Kappa® brand sponsored several sporting events (in golf, padel, sailing, rugby and skiing). Mikaela Shiffrin, athlete of the U.S. Ski Federation, sponsored by Kappa®, last March won the 2023 Ski World Cup and broke the all-time record for victories. Robe di Kappa® launched the first collection with Haribo, and Kappa® presented the Batman capsule collection with Hell Raton and Palace Kappa x Alpine, Kappa® x Saint James (for the Stade Malherbe Caen football club), and with Kappa® x Pompeii co-branding.

- K-Way® returned to the catwalk at Milan Fashion Week, which was set against the backdrop of the reconstructed Café de la Paix in Paris, an event that was also replicated in Paris at the original location. Two new sponsorships were undertaken — of the French team Orient Express for the upcoming America's Cup and of surfer Leonardo Fioravanti — in addition to the partnership with the "Alla Grande – Pirelli" Atlantic challenge and Ambrogio Beccaria. K-Way® Japan launched a new spring-summer Le Vrai 3.0 campaign featuring Japanese actor Koshi Mizukami and a limited edition in collaboration with Japanese artist Yu Nagaba, famous for his minimalist black-and-white characters. Other featured collaborations include: the capsule with Universal Works, the second drop with Italian brand Santini Cycling Wear, Highsnobiety for a new capsule collection at Paris Fashion Week as part of the "Not in Paris" project conceived by Highsnobiety during the 2020 lockdown; the second co-lab with the brand Play Comme des Garçons; the first co-lab with Masion Soeur. K-Way also sponsored the 2023 edition of the Ortigia Sound System Festival, the fourteenth edition of Artissima, the eighth edition of the Terraforma Festival, and the 2023 Opera Music Festival. K-Way launched a new collection of skiwear and the brand's first fragrance, "After Rain", with Culti Milano.

- Superga®, which had the singer Levante as its Ambassador for the first half of 2023, and Tina Kunakey as its Global Brand Ambassador, continued its collaboration with other brands: Napapijri, Replay, Pokemon, Alaïa, Lisa Corti, Max&Co, Roy Roger's,Pacha Ibiza, Automobili Amos, Viktor&Rolf, Slimy Oddity and Missoni. To mark the release of the film *Barbie*, Superga® unveiled a mini-collection of co-branded, custom sneakers.

- Sebago®, in addition to the presentation of the new eyewear collection at Mido and their new Marine Collection at the Genoa Boat Show, created capsule collections with Philosophy by Lorenzo Serafini, with Fortela and an initial co-lab with Australian concept store Above the Clouds. Sebago® and the iconic British brand Drake's launched two co-branding projects. The first was presented contemporaneously at Drake's London and New York stores, while the second was launched via social media with a video shot on the streets of Maine and on the shores of Sebago Lake. The second collaboration with Italian brand Hanami was also launched. Finally, Sebago® presented new Docksides models at the 55th edition of Barcolana (Trieste, Italy), along with *Sebago Yearbook 2023*, a collection of stories that convey the brand's heritage and values.

- Briko® presented its new bike and snow collections at Mido (Milan), BAM (Mantua), Eurobike (Frankfurt), Prowinter (Bolzano), Sport-Achat Hiver (Lyon), Italian Bike Festival (Misano). In addition to the continuation of its sponsorship of the Bardiani CSF Faizanè team, competing at the Giro d'Italia, we highlight the victories of paraathlete Giacomo Bertagnolli and the sponsorship of the Granfondo Torino. Also of note were actions surrounding the collaboration with Ushuaïa Ibiza, LC23, and Balenciaga.

Group brand sales points

At December 31, 2023 Kappa® and Robe di Kappa® monobrand stores and shop-in-shops opened by licensees globally numbered 1,193 (of which 101 in Italy), with Superga® monobrand stores and shop-in-shops totalled 187 (of which 55 in Italy), and there were 112 K-Way® sales points (of which 36 in Italy, 2 in Spain and 58 in France) and 52 Sebago® sales points (of which 4 in Italy, in Rome, Milan and Turin).

2023 FINANCIAL PERFORMANCE OVERVIEW

THE GROUP

BasicNet Group Key Financial Highlights

The condensed income statement for the year is reported below:

(Euro thousands)	**FY 2023**	**FY 2022**	**Changes**	**%**
Brand aggregate sales *	1,141,056	1,273,087	(132,031)	(10.4%)
Royalties and sourcing commissions	62,273	72,305	(10,032)	(13.9%)
Consolidated direct sales	332,758	312,711	20,048	6.4%
EBITDA **	58,137	60,931	(2,794)	(4.6%)
EBIT **	41,099	46,111	(5,012)	(10.9%)
Group Net Profit	24,376	30,037	(5,661)	(18.8%)
Basic earnings per share**	0.4912	0.5994	(0.108)	(18.1%)

* *Data not audited*

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

Commercial and financial analysis

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

(Euro thousands)	**FY 2023**	**FY 2022**	**Changes**	
Brand aggregate sales*	**Total**	**Total**	**Total**	**%**
Commercial licensees and direct	820,049	901,998	(81,949)	*(9.09%)*
Productive Licensees (sourcing centers)	321,007	371,089	(50,081)	*(13.50%)*
Total	**1,141,056**	**1,273,087**	**(132,031)**	***(10.37%)***

* *Data not audited*

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

(Euro thousands)	**FY 2023**		**FY 2022**		**Changes**	
Aggregate Sales of Group commercial licenses and direct*	**Total**	**%**	**Total**	**%**	**Total**	**%**
Europe	591,116	*72.1%*	612,258	*67.9%*	(21,143)	*(3.5%)*
The Americas	73,923	*9.0%*	114,347	*12.7%*	(40,423)	*(35.4%)*
Asia and Oceania	55,942	*6.8%*	71,763	*8.0%*	(15,821)	*(22.0%)*
Middle East and Africa	99,068	*12.1%*	103,630	*11.5%*	(4,562)	*(4.4%)*
Total	**820,049**	***100.0%***	**901,998**	***100.0%***	**(81,949)**	***(9.1%)***

* *Data not audited*

and of the productive licensees:

(Euro thousands)	**FY 2023**		**FY 2022**		**Changes**	
Aggregate Sales of Group Productive licensees *	**Total**	**%**	**Total**	**%**	**Total**	**%**
Europe	31,876	*9.9%*	28,214	*7.6%*	3,662	*13.0%*
The Americas	39,976	*12.5%*	32,242	*8.7%*	7,734	*24.0%*
Asia and Oceania	245,729	*76.6%*	303,559	*81.8%*	(57,830)	*(19.1%)*
Middle East and Africa	3,426	*1.1%*	7,074	*1.9%*	(3,648)	*(51.6%)*
Total	**321,007**	***100.0%***	**371,089**	***100.0%***	**(50,082)**	***(13.5%)***

* *Data not audited*

Commercial and direct licensee sales of Euro 820.0 million decreased 9.1% compared to Euro 902.0 million in the previous year.

Sales of the third party commercial licensees declined amid a settling of consumption on certain markets, against a preceding year which saw extraordinary growth. Meanwhile, sales on directly managed markets grew: Italy, France and Spain. With regard to the Southeast Asia markets, distribution is currently being reorganised for Vietnam and Japan. The crisis in consumer spending continues, which is slowing sales in North America. In Argentina, both the contraction in consumer spending and the weakening of the country's currency are weighing on performance.

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. Sales by productive licensees fell 13.5%, due to the widespread overstocking that occurred during the previous year, which resulted in a decrease in purchases by commercial licensees.

Royalties from commercial and productive licensees reflect the trend of the aggregate sales of licensees and amounted to Euro 62.3 million (Euro 72.3 million in 2022, -13.9%).

Overall ***consolidated direct sales*** were Euro 332.8 million (Euro 312.7 million in 2022). Compared to the previous year, direct sales were up by 6.4% in Italy and by 20.8% in France. Retail sales posted double-digit growth across nearly all sectors, including 15.3% growth in sales via the franchising channel. Sales via e-commerce also grew significantly (50.4%), as this is a sector in which the Group is focusing investment to consolidate development.

The ***contribution margin*** on sales increased from Euro 124.2 million in 2022 to Euro 145.4 million in 2023 (+17.1%), due to the increased direct sales (+6.4%) in both Italy and Europe. In percentage terms, the margin was 43.7% (compared to 39.7% in 2022), due to a reduction in inbound costs and a different sales mix, which saw greater growth in retail than in wholesale..

Other income of Euro 10.9 million, compared to Euro 8 million in 2022. The increase from the previous year was due to the growth in sales by BasicVillage, with the start of full operations at BasicVillage Milan, and to non-operating income during the year.

Sponsorship and media spend of Euro 39.2 million compares to Euro 35 million in the previous year. The increase from the prior year is mainly attributable to the increase in costs related to sponsorships of strategic importance to global brand development and to the significant marketing efforts, particularly in relation to the K-Way brand.

Personnel costs rose from Euro 38.3 million in 2022 to Euro 45.1 million in 2023, an increase of approx. Euro 6.8 million, due mainly to the expansion of strategic areas of the Group and the opening of new points of sale, in addition to inclusion of K-Way France for the entire period, compared to their consolidation for just 9 months in 2022. The average number of employees in 2023 was 1,041.

Overhead costs, i.e. ***Selling and general and administrative costs*** *and* ***royalties expenses***, increased from Euro 70.2 million in 2022 to Euro 76.1 million in 2023. The increase is mainly attributable to commercial and sales costs and to an increase in allocations to the doubtful debt provision for the sake of prudence.

EBITDA stood at Euro 58.1 million (Euro 60.9 million in 2022).

EBIT amounted to Euro 41.1 million, after amortisation and depreciation of Euro 8.9 million, increasing on 2022 as BasicVillage Milano becomes fully operational, and depreciation on the right-of-use for Euro 8.1 million, increasing due to the new openings (11 direct sales points), as part of retail segment development.

Consolidated net financial charges/income, including exchange gains and losses, reported a charge of Euro 8.5 million, compared to Euro 2.8 million in the previous year. The increase is mainly the result of a generalized increase in the average cost of debt, together with the negative impact of hedging instruments.

The ***consolidated pre-tax profit*** was Euro 32.6 million, compared to Euro 43.3 million in 2022.

The ***Net profit*** was Euro 24.4 million, after current and deferred taxes of Euro 8.2 million, down Euro 5.7 million on Euro 30.0 million in the previous year.

Segment information

The Financial Highlights by Group segment were as follows:

- ***"Clothing, footwear and accessories"***: the segment reports net royalties and sourcing commissions of Euro 62.3 million, compared to Euro 72.3 million in the previous year, while direct sales increased to Euro 332.8 million (Euro 312.7 million in 2022). The 2023 EBIT was Euro 41.0 million compared with Euro 46.1 million in 2022. Net profit in 2023 was Euro 24.7 million, compared to Euro 30.3 million in 2022.

- ***"Property":*** property management reported a loss of Euro 310 thousand (loss of Euro 276 thousand in 2022). Alongside the greater income (up Euro 0.2 million), there is also an increase in amortisation and depreciation (up Euro 0.5 million) and in financial charges (up Euro 0.6 million) as a result of the aforementioned rise in interest rates.

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:

(Euro thousands)	**December 31, 2023**	**December 31, 2022**	**Changes**
Property	39,240	40,930	(1,691)
Brands	59,138	59,095	43
Non-current assets	78,830	74,514	4,316
Rights-of-use	35,900	29,911	5,989
Current assets	247,644	248,663	(1,019)
Total Assets	**460,752**	**453,114**	**7,638**
Group shareholders' equity	164,787	149,146	15,641
Non-current liabilities	102,259	106,548	(4,288)
Current liabilities	193,706	197,420	(3,714)
Total liabilities and shareholders' equity	**460,752**	**453,114**	**7,638**

With regard to the change in non-current assets, amortisation and depreciation increased by Euro 1.8 million during 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 2.7 million). The increase in non-current assets also includes the key money related to the new K-Way store in Lyon (Euro 1.0 million).

Group shareholders' equity went from Euro 149.2 million in 2022 to Euro 164.8 million in 2023

Financial position

(Euro thousands)	**December 31, 2023**	**December 31, 2022**	**Changes**
Net bank financial position – Short-term	(53,390)	(41,862)	(11,528)
Financial payables – Medium-term	(39,136)	(51,756)	12,619
Finance leases	(77)	(259)	181
Net financial position with banks	**(92,603)**	**(93,876)**	**1,272**
Payables for the purchase of equity investments	(9,738)	(17,081)	7,343
Payables for rights-of-use	(36,778)	(30,734)	(6,044)
Total net financial position	**(139,119)**	**(141,691)**	**2,571**
Net Debt/Equity ratio (Net financial position/Shareholders' equity)	0.84	0.95	(0.11)

Net financial position: debt of Euro 139.1 million, an improvement over the debt of Euro 141.7 million at December 31, 2022; **the net financial position with banks** was a debt of Euro 92.6 million, compared to a debt of Euro 93.9 million at December 31, 2022. Dividends of Euro 9 million were paid in 2023 and treasury shares acquired for Euro 2.5 million.

Earnout payables include the best estimate of the variable price component due to the former shareholders of K-Way France, which will be defined on the basis of the subsidiary's performance over the three-year period 2023-25. Total debt at the end of 2023 is estimated at Euro 9.7 million, Euro 1.6 million of which due within 2024.

Right-of-use payables rose approx. Euro 6 million compared to 2022, 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 2023 compared to the previous year is reported below:

(Euro thousands)	**FY 2023**	**FY 2022**	**Changes**	**%**
Royalties and sourcing commissions	2,198	24,052	(21,854)	(90.9%)
Other income	15,943	14,465	1,478	10.2%
EBITDA *	(6,644)	8,236	(14,880)	(180.7%)
EBIT *	(10,612)	3,862	(14,474)	(374.8%)
Dividends from subsidiaries	3,000	7,000	(4,000)	(57.1%)
Investment income (charges)	25,579	-	25,579	insig.
Net Profit of the year	20,077	11,155	8,923	79.9%

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

The operating highlights of the parent company follow:

- ***sourcing commissions*** amounted to Euro 2.2 million. Since 2023, following the company reorganisation, as described above, the account only includes a portion of the sourcing fees due to the productive licensees;
- ***other income*** amounted to Euro 15.9 million (Euro 14.5 million in the previous year). Other income principally refers to payments for intercompany assistance services charged to the subsidiaries.

EBIT was a loss Euro 10.6 million (profit of Euro 3.9 million in 2022), following amortisation and depreciation of approx. Euro 2.5 million and depreciation of rights-of-use for Euro 1.5 million.

Investment income concerns the restoration of the value of the investments held directly by BasicNet that had been subject to impairment in previous years, but now those impairment losses have been fully recovered.

Net profit was Euro 20.1 million after income taxes of Euro 2.3 million (Euro 11.2 million in 2022).

Balance sheet overview

(Euro thousands)	**December 31, 2023**	**December 31, 2022**	**Changes**
Non-current assets	7,363	7,498	(135)
Brands	90	102	(12)
Rights-of-use	3,564	7,072	(3,508)
Investments	137,834	112,250	25,584
Current assets	79,484	55,568	23,916
Total Assets	**228,335**	**182,490**	**45,845**
Shareholders' Equity	155,400	146,820	8,581
Non-current liabilities	7,893	13,860	(5,967)
Current liabilities	65,042	21,811	43,231
Total liabilities and shareholders' equity	**228,335**	**182,490**	**45,845**

Non-current assets include investments in the year mainly for software development of Euro 2.1 million and EDP, fixtures and fittings and other assets of Euro 334 thousand. The value of tangible and intangible assets are recorded net of amortisation and depreciation for the year of Euro 4.0 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, originally recognised in 2019 in application of IFRS 16.

Equity investments, which include the carrying amount of the investments directly held by the parent company, increased mainly due to the recovery of the losses in value as described previously.

Shareholders' Equity at December 31, 2023 was approx. Euro 155.4 million (Euro 146.8 million in 2022), following the distribution in 2023 of dividends for Euro 9 million and the acquisition of treasury shares for Euro 2.5 million.

Financial position

(Euro thousands)	**December 31, 2023**	**December 31, 2022**	**Changes**
Net financial position – Short-term	(24,627)	(4,089)	(20,538)
Financial payables – Medium-term	(2,406)	(5,406)	3,000
Finance leases	(21)	(66)	46
Net financial position with banks	**(27,054)**	**(9,561)**	**(17,492)**
Group financial receivables/(payables)	21,249	36,349	(15,100)
Payables for rights-of-use	(3,670)	(7,124)	3,454
Financial position with the Group	**17,579**	**29,225**	**(11,646)**
Total net financial position	**(9,475)**	**19,664**	**(29,139)**

The ***net financial position*** of net debt of Euro 9.5 million compares to Euro 19.7 million in 2022.

RECONCILIATION BETWEEN CONSOLIDATED NET PROFIT AND PARENT COMPANY NET PROFIT

The reconciliation at December 31, 2023 between the Parent Company net equity and result and the consolidated net equity and result is reported below.

(Euro thousands)	**Net Profit**	**Shareholders' Equity**
Financial statements of BasicNet S.p.A.	**20,077**	**155,400**
Accounting for equity and results of consolidated companies	37,060	229,727
Derecognition of the value of consolidated equity investments	(26,474)	(195,160)
Consolidation adjustments	(288)	(25,179)
Elimination of dividends	(6,000)	-
Group consolidated financial statements	**24,376**	**164,787**

THE BASICNET SHARE PRICE

The Share Capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and comprises 54,000,000 ordinary shares, without nominal value and listed on the Euronext Milan (EXM).

The key stock market figures for the years 2023 and 2022 are reported in the following table:

(in Euro)	**December 31, 2023**	**December 31, 2022**
Earnings/(loss) per share	0.4912	0.5994
Dividend per share *(1)*	0.15	0.18
Pay-out ratio *(1) (2)*	30.5%	30.0%
Dividend Yield *(1) (3)*	3.3%	3.4%
Price at year-end	4.55	5.31
Maximum price in year	6.03	6.69
Minimum price in year	4.07	4.53
Stock market capitalization (in thousands of Euro)	245,700	286,740
Total number of shares	54,000,000	54,000,000
Shares outstanding	49,626,500	50,112,500

(1) dividends on the 2023 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

Since September 1, 2023 to the date of the present report, the multi-voting rights has been effective. The rights relate to 15,153,984 ordinary shares, pursuant to Article 127-quinquies of the Consolidated Finance Act and in compliance with the provisions of the Company By-Laws and the Regulations for multi-voting rights, adopted by the Company on July 29, 2021. On the basis of the above, the voting rights as at today's date amount to 69,153,984.

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

Shareholder	% held of share capital (1)	% of voting rights (2)	Notes
Marco Boglione	37.996%	42.209%	Owned directly and indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l.
Francesco Boglione	6.949%	10.758%	Part-owned directly and indirectly through Francesco Boglione S.r.l.
Helikon Investments Limited	11.730%	9.160%	Held by way of discretionary asset management. The company in addition holds "cash settled equity swaps" financial instruments on BasicNet shares equal to 1.253% of voting rights
BasicNet S.p.A.	8.145%	6.360%	Treasury shares in portfolio
Enrico Boglione	3.704%	5.418%	Part-owned directly and indirectly through Enrico Boglione S.r.l.

1) Calculated on 54,000,000 shares off its share capital
2) Calculated on 69,153,984 total voting rights

MAIN RISKS AND UNCERTAINTIES

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

Strategic risks

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

Risks associated with economic conditions

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

Macroeconomic risks

The Group's widespread presence in many countries around the world makes it possible to reduce the risks inherent in a business that is heavily concentrated in specific regions. Nonetheless, deteriorations in economic, social, political, or environmental circumstances in one or more markets could have an adverse effect on sales and on financial performance. In addition, restrictions set by national or supranational bodies on personal travel, such as in response to the pandemic or other international crises, or restrictions on exports as a result of commercial or financial sanctions, could have an impact on sales, particularly in the specific regions concerned.
The Group is committed to preventing or mitigating environmental risks in various ways, as described in detail in the Non-Financial Report.

Licensee network operating risks

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

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

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

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

Risks related to BasicNet Group production

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

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

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

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

- a selection of Sourcing Centers based on an assessment of the technical requirements to satisfy Group needs in terms of quality, volumes and production times (contained in the "Sourcing Agreement"), in addition to the financial solidity of the manufacturer, assessed through specific onsite visits and repeated on a consistent basis;

- the use of anti-trust controls that require that strategic products be produced by at least two or three Sourcing Centers (if possible in differing regions). Moreover, after five years orders are switched to a new sourcing centre, and we make sure that no factory devotes more than half of its productive capacity to our Group's brand-name products.
- the use of contracts with Sourcing Centers stipulating the commitment of the contracting parties to comply with local and international labour and environmental regulations and the signing of a commitment to comply with the Code of Conduct, based on the key conventions of the International Labour Organisation (ILO) and the Universal Declaration of Human Rights and the Forbidden Chemicals Agreement;
- the Sourcing Center operational cash flows are finally subject to checks by BasicAudit.

Currency risk

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

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

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

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

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

Credit risk

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

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

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

Liquidity risk

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

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

Interest rate risk

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

Risks relating to legal and tax disputes

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

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

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

<u>Tax disputes</u>

End-of-mandate prov. deductibility

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

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

At the end of September 2023, the Company decided to take advantage of the facilitated settlement of pending tax disputes, as outlined in Article 1, paragraphs 186 to 202, of Italian law no. 197 of December 29, 2022 (Budget Law 2023), given the option to definitively conclude the dispute with payment of approximately Euro 24,500, equivalent to 5% of the higher taxes previously assessed. This approach allowed the Company to avoid the prolongation of disputes, thereby saving on additional defence costs and, more importantly, eliminating the risk, albeit limited, of an unfavourable verdict from the Supreme Court. As of today, the Company is waiting for the Court to acknowledge the settlement and declare the definitive closure of the matter in dispute.

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. (changed its legal format to a "S.r.l." and its name to Kappa S.r.l.) and Superga Trademark S.A. (now S.r.l. and subsequently incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency.

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

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

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

On June 21, 2023, the first level judgement of the Tax Court fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (which changed its legal format to a "S.r.l." and its name to Kappa S.r.l.) and Superga Trademark S.A. (now S.r.l. and subsequently incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency in relation to fiscal year 2016.

As already described, the 2023 Budget Law provided for a series of defining institutions of the tax claim ("tax truce"); consequently, its entry into force entailed a nine-month suspension of the deadlines for appealing all judgments, regarding definable disputes, which would have ordinarily expired between January 1 and July 31, 2023. Therefore, as of September 30, 2023 the ordinary terms for any appeal by the Tax Agency in the second instance (for the 2015-2016 fiscal years) or in the Court of Cassation (for the 2011-2014 fiscal years) commenced.

On January 17, 2024, the Office recommended an appeal of the unfavourable ruling issued in June 2023 by the tax court of first instance concerning the assessments related to 2016.

As of today's date, the Group companies have had their claims recognised in the first instance for all the years in dispute and in the second instance for the years 2011 to 2014.

Commercial disputes

FISI pre-emption right

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

The judgment in the case on the merits, issued on February 23, 2023, confirms this protective order issued on July 14, 2022 and the position of BasicItalia, namely that from the moment of BasicItalia's acceptance of the conditions offered by FISI, and thus from June 3, 2021, a new sponsorship contract was concluded between BasicItalia and FISI for the 2022/23 seasons until the 2025/26 season, also recognising a right of first refusal in favour of Basic Italia for the following four-year period.

As a result, the court ordered FISI to fulfil its contractual obligations, prohibiting FISI from entering into supply and sponsorship contracts with third parties other than BasicItalia and from using in its competitive activities clothing items with trademarks other than those indicated in the contract between BasicItalia and FISI.

Regarding damages, the Court ruled that the damage resulting from FISI's breach of duty can only be fully assessed and quantified following the last competitive season until at least 2025/2026.

FISI appealed the judgment by writ of summons served on March 27, 2023, requesting to suspend and/or revoke the provisional enforceability of the judgment and to uphold the appeal on the basis of the conclusions advanced by FISI in the first instance judgment and, by way of counterclaim, to establish BasicItalia's failure to comply with the provisions of the Contract and to declare the termination of the Contract for non-performance with an order to pay damages.

Meanwhile, on July 20, FISI's request for a stay of the enforceability of the first instance ruling was granted by the Court of Appeals, pending further consideration of the documents in the appeal proceedings.

The Milan Court of Appeals has now set the terms for document filings as follows: filing of the written notes by March 1, 2024; filing of closing arguments by April 2, 2024; and filing of responses by April 17, 2024.

OTHER INFORMATION

HUMAN RESOURCES AND THE ENVIRONMENT

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

TREASURY SHARES

Under the treasury share buy-back programme, authorised by the Shareholders' AGM of April 13, 2023 and concluding at the date of the Shareholders' AGM for the approval of the 2023 Annual Accounts, at the date of this report 390,800 treasury shares had been acquired (0.724% of the Share Capital) at an average price of Euro 4.93, for a total of Euro 1,926,739.

BasicNet today holds a total of 4,398,200 treasury shares (equal to 8.145% of the Share Capital and 6.36% of the voting rights), for an investment of Euro 16.5 million. The Group intends to continue the share buy-back programme in 2024 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, or to service any incentive and loyalty plans adopted by the Company,

STOCK OPTION PLANS

The Board of Directors, in their meeting of March 8, approved submitting a stock option plan to shareholders for 2024-2027 in favour of directors and employees of the Company or of other Group companies.

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 2024 Shareholders' AGM on the website www.basicnet.com, to which reference should be made.

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

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

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

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

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

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

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

Governance of subsidiaries outside of the European Union

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

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

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

RESEARCH AND DEVELOPMENT

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

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

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

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

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

Creating garment models and designs

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

New software development

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

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

- Software and applications used in business management i.e. vertical IT solutions for various company functions that can be automated and/or monitored within a business, thus allowing users to operate in a uniform, integrated environment;
- E-commerce software and applications, i.e. highly innovative business solutions that meet a wide range of needs in terms of multichannel interface and marketing;
- Web-integration software and applications, which are innovative platforms to manage information exchange within the network and to connect with the licensee and sourcing systems.

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

Brand exploitation and sponsorship

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

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

SUBSEQUENT EVENTS TO THE YEAR-END AND OUTLOOK

The Board meeting of March 8, 2024, in addition, approved the submission to the Shareholders' Meeting of a remuneration plan to be executed through the free allocation of a maximum 2,000,000 Rights, which grant the right to the free receipt of a maximum 2,000,000 BasicNet Shares, as an incentivisation and retention tool for those parties which - in the opinion of the implementing delegated Board - may be considered strategic for the Company in contributing to its growth, development and value creation.

The 2024-2027 Plan is for employees of the Company and the Subsidiaries, as identified, and the members of the Board of Directors of the Company and of the Subsidiaries, as identified by the Board of Directors or by a Board delegated by the latter.

The Plan, comprising four Performance Periods, which may have a minimum duration of two years and a maximum of four years each, seeks to strengthen and improve the Group's capacity to retain key resources; attract people of talent with whom working relationships can be established with the Company and/or the Subsidiaries; involve the beneficiaries more in the Company's performance and focus the efforts of key resources on strategic and sustainable success factors over the medium to long-term, and align the interest of the Beneficiaries with those of the shareholders.

The Shares in service of the Plan shall be allocated from the treasury shares portfolio, and shall consequently not have any dilutive impact on the Company's share capital.

The 2024-2027 Plan disclosure document, drawn up as per Article 84-bis and Annex 3A, Table 7 of the Issuers' Regulation, is available on the Company website www.basicnet.com

Outlook

The Company's fundamentals remain strong, despite the landscape of uncertainty brought about by the geopolitical and macroeconomic instability around the world.

* * *

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

Dear Shareholders,

We highlight the following:

MOTION

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2023 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, 2023, in relation to each individual part and in its entirety.

PROPOSAL FOR THE ALLOCATION OF NET PROFIT FOR THE YEAR 2023 AND DIVIDEND DISTRIBUTION. RESOLUTIONS THEREON.

Dear Shareholders,

We propose the allocation of the net profit of Euro 20,077,013.60 as follows:

▪ to each of the 49,601,800 ordinary shares in circulation (excluding the 4,398,200 treasury shares held at March 8, 2024), a dividend of Euro 0.15 before withholding taxes for an amount of	Euro	7,440,270.00
▪ to retained earnings the residual amount, equal to	Euro	12,636,743.60

The dividend will be paid from April 24, 2024, with record date of April 23, 2024 and coupon date (No. 17) of April 22, 2024.

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

We propose therefore the following:

MOTION

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

RESOLVES

to approve the proposed allocation of the net profit for the year of Euro 20,077,013.60, as presented above, and the proposed payment of a dividend of Euro 0.15 to each of the ordinary shares in circulation and entitled to receive dividends on the coupon date.

Turin, March 8, 2024

for the Board of Directors

The Chairperson

Marco Daniele Boglione

CORPORATE GOVERNANCE REPORT

Introduction

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

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

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

From 2022 BasicNet decided not to continue compliance with the Corporate Governance Code, except to the extent that its recommendations correspond to those introduced by the legislation in force for listed companies, i.e. the Civil Code, the Consolidated Finance Act and the related regulations issued by Consob, Borsa Italiana and the applicable European Regulations.

The Company, having assessed how its corporate governance model, which has been gradually introduced following the entry into force of new rules, has always ensured full transparency and fairness in conducting its activities, in addition to a balanced and effective system of controls and risk monitoring, considering certain provisions of the Self-Governance Code, to effectively form, with regard to the size and composition of the shareholder base, an overarching structure in terms of compliance, obliging the company to repeat the reasons for non-compliance of one or more provisions of the code.

The existing Board of Directors and the Internal Board Committees maintain continuity with the skills, organisation and functions performed in previous financial years, consistently with the governance approach already adopted.

The recommendations of the Corporate Governance Code were followed where deemed useful and appropriate for the Company.

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

1. ISSUER PROFILE

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

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

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

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

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

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

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

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

BasicNet is defined as an SME in accordance with Article 1, paragraph 1, letter w-quater 1), of the CFA and Article 2 of Consob Issuers' Regulation and is included in the list published by Consob here: https://www.consob.it/web/area-pubblica/emittenti-quotati-pmi.

Average market capitalisation in 2023 was Euro 277.9 million, continuing to meet the definition of SME.

BasicNet does not meet the definition of "large enterprise" or "company of concentrated ownership" as per the Corporate Governance Code.

2. DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 8, 2024 (pursuant to Article 123-*bis*, paragraph 1 of the CFA)

a) Share Capital structure (pursuant to Article 123-bis, paragraph 1, letter a) of the CFA)

On May 30, 2022, the Extraordinary Shareholders' Meeting of the company approved the elimination from Article 5 of the By-Laws - Share Capital - the reference to the nominal value of the shares, to cancel 6,993,602 treasury shares with no nominal value held by the Company, maintaining the amount of share capital unchanged. Consequently, the Share Capital, fully subscribed and paid-in, amounts to Euro 31,716,673.04 and comprises 54,000,000 ordinary shares listed on the Euronext Milan (EXM).
At the date of this Report, the Company holds 4,393,200 treasury shares, equal to 8.14% of the share capital and 6.36% of the voting rights.
The Company has not issued financial instruments that attribute the right to subscribe to new share issues.
No share-based incentive plans have been introduced which would resulted in an increase, including through scrip issues, of the share capital.

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

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

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

As stated above, with reference to Article 1, letter w-*quater* 1) of the CFA, BasicNet qualifies as a "Small-Medium-sized enterprise" (SME). The significance threshold is 5% of the share capital with voting rights.
Since September 1, 2023, the multi-voting rights came into effect. The rights relate to 15,153,984 ordinary shares, pursuant to Article 127-quinquies of the Consolidated Finance Act and in compliance with the provisions of the Company By-Laws and the Regulations for multi-voting rights, adopted by the Company on July 29, 2021. On the basis of the above, the voting rights as at today's date amount to 69,153,984.

The list of parties holding, directly or indirectly, more than 5% of the share capital 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 and other information held by the Company, is as follows:

Shareholder	% held of share capital (1)	% of voting rights (2)	Notes
Marco Boglione	37.996%	42.209%	Owned directly and indirectly through Marco Boglione e Figli S.r.l., which in turn owns the entire share capital of BasicWorld S.r.l.
Francesco Boglione	6.949%	10.758%	Part-owned directly and indirectly through Francesco Boglione S.r.l.
Helikon Investments Limited	11.730%	9.160%	Held by way of discretionary asset management. The company in addition holds "cash settled equity swaps" financial instruments on BasicNet shares equal to 1.253% of voting rights
BasicNet S.p.A.	8.145%	6.360%	Treasury shares in portfolio
Enrico Boglione	3.704%	5.418%	Part-owned directly and indirectly through Enrico Boglione S.r.l.

(1) Calculated on 54,000,000 shares off its share capital
(2) Calculated on 69,153,984 total voting rights

d) Shares which confer special rights (as per Article 123-bis, paragraph 1, letter d), CFA)

There are no shares which confer special control rights.

The Extraordinary Shareholders' Meeting of July 29, 2021 approved the amendments to the By-Laws to introduce the increased voting rights mechanism, as per Article 127-quinquies of Legislative Decree No. 58/98. This mechanism permits the assignment of two votes for each ordinary BasicNet share held by the same Shareholder of the Company for a continuous period of at least 24 months from their 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, 15,153,984 shares enjoy increased voting rights.

The list of Shareholders included in the special register for entitlement to increased voting rights (Article 127-quinquies, paragraph 2, of the CFA) with a holding in excess of 5% of BasicNet S.p.A.'s share capital and who gained the double vote after 24 months from the date of enrolment is available on the company website at http://www.basicnet.com/contenuti/corporate/votoMaggiorato.asp?menuSelectedID=2h

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

At the date of this Report, no employee share ownership mechanisms were in place.

The Board of Directors meeting of March 8, 2024 resolved to submit for approval to the BasicNet Shareholders' Meeting of April 16, 2024, the introduction of an incentive plan providing for the free allocation, to employees and Directors of the Group headed by the Company, of a maximum of 2,000,000 (two million) ordinary shares of the Company - the "2024 - 2027 Stock Grant" (the "**Plan**").

The Plan is for the Directors and employees of the BasicNet Group who will be identified, from among the members of the Board of Directors and employees of BasicNet S.p.A. and the companies it - directly or indirectly - controls with the aim of incentivising them, retaining their loyalty and setting the conditions for attracting additional talented people.

Aspects relating to the implementation of the Plan will be defined by the Board of Directors and, among them, the identification of the Beneficiaries - with the express right to sub-delegate to one or more members of the Board of Directors, based on the powers to be granted by the Shareholders' Meeting.

The maximum total number of BasicNet shares to service the Plan is 2,000,000 ordinary shares, to be drawn from the Company's treasury share portfolio.

Information regarding the share-based incentive plan (the highlights of which have been described above) is provided in accordance with the guidance provided for the prospectus under Schedule No. 7 of Annex 3A to the Issuers' Regulation issued by Consob, which is available to the public at the Company's offices, on the Company website at www.BasicNet.com (Section of www.basicnet.com related to the 2024 Shareholders' Meeting), and on the authorised storage mechanism "1info" (www.1info.it).

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

There are no restrictions on voting rights. The issuer has exclusively issued ordinary shares; each share provides one vote (Article 6 of the By-Laws), without prejudice to the multi-voting rights mechanism described in paragraphs c) and d) above, up to a maximum of two votes per share. Article 21 of the By-Laws excludes the right to withdrawal with regards to motions concerning the extension of the company's duration or the introduction or the removal of restrictions on the circulation of equities.

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

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

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

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

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

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

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

- <u>Powers to increase the Share Capital</u>

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

- <u>Authorisation of share buy-back plan</u>

  The Shareholders' Meeting of April 13, 2023 authorised the Board of Directors to purchase, on one or more occasions, a maximum number of ordinary shares, taking account of those already held by the Company, not exceeding the legal limits, for a period beginning from the date of the Shareholders' Meeting until the date of the Shareholders' Meeting called to approve the 2023 Annual Accounts. On the basis of this authorisation, the Board of Directors, meeting on the same date, initiated a plan concerning a maximum number of treasury shares equal to 20% of the share capital, for a maximum amount of Euro 30 million, in compliance with all legal limits and taking account of the treasury shares already in portfolio.

  Under the treasury share buy-back programme, authorised by the Shareholders' AGM of April 13, 2023, at the date of this report 390,800 treasury shares had been acquired (0.7% of the Share Capital) at an average price of Euro 4.9, for a total of Euro 1,926,739.

  BasicNet today holds a total of 4,398,200 treasury shares (equal to 8.14% of the Share Capital and 6.36% of the voting rights), for an investment of Euro 16 million.

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

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

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

BasicNet S.p.A carries out direction and coordination activities, pursuant to Article 2497-bis of the Civil Code, for the directly and indirectly held Group subsidiaries. This activity involves oversight of the general strategic directives and in the definition and amendment of guidelines for the Internal Governance and Control model.

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

These "Powered by" activities mainly include:

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

All Group companies adopt and respect the Ethics Code.

m) Other information

It is noted that:

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

- the disclosures required by Article 123-*bis*, paragraph 1, letter l) ("applicable regulations concerning the appointment and replacement of Directors, in addition to the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.2) of this Report;
- the disclosures required by Article 123-*bis*, paragraph 1, letter l), second part (applicable regulations concerning the amendment of the By-Laws if differing from applicable law and regulations) are illustrated in the section of the report concerning Shareholders' Meetings (Section 13).

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

The Corporate Governance system adopted by BasicNet S.p.A. incorporates the rules and procedures within the Company's By-Laws and provisions of law, which outlines the system of management and control of the Company and of the Group.
As reported in the Introduction, BasicNet decided not to continue compliance with the Corporate Governance Code, except to the extent that its recommendations correspond to those introduced by the legislation in force for listed companies, i.e. the Civil Code, the Consolidated Finance Act and the related regulations issued by Consob, Borsa Italiana and the applicable European Regulations.

The Company, having assessed how its corporate governance model, which has been gradually introduced following the entry into force of new rules, has always ensured full transparency and fairness in conducting its activities, in addition to a balanced and effective system of controls and risk monitoring, considering certain provisions of the Self-Governance Code, to effectively form, with regard to the size and composition of the shareholder base, an overarching structure in terms of compliance, obliging the company to repeat the reasons for non-compliance of one or more provisions of the code. The existing Board of Directors and the Internal Board Committees maintain continuity with the skills, organisation and functions performed in previous financial years, consistently with the governance approach already adopted. The recommendations of the Corporate Governance Code were followed where deemed useful and appropriate for the Company.

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

Specifically, in the section called "Corporate Governance BasicNet", the documents relating to the corporate governance system are published. The Annual Report, which is published on the website www.basicnet.com/contenuti/corporate/corporategovernance.asp, illustrates the governance structure of the Group.

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

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

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

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

4. BOARD OF DIRECTORS

4.1. ROLE OF THE BOARD OF DIRECTORS

The Board of Directors of BasicNet:

1. determines and pursues the Company's strategic, commercial 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. assesses its organisational, administrative and accounting adequancy so that full transparency and fairness in conducting business, in addition to a balanced and effective system of controls and risk monitoring, is always ensured, in accordance with applicable laws and regulations;
4. promotes dialogue with shareholders and all other relevant stakeholders for BasicNet and for the Group.

Within this context, the Board of Directors:

a) examines and approves the Company and the Group’s economic and financial forecasts; the enactment of the plans and the monitoring of performance are, as a rule, reviewed at the meetings called for the approval of the interim financial statements;

b) defines the organisational structure of the companies of the Group and the corporate governance system of BasicNet;

c) monitors business risks. The Board examines and approves operations of the Company and its subsidiaries, when such operations have a significant impact on strategy, on financial performance and standing for the Group as a whole.

d) assesses the adequacy of the Company's organisational, administrative and accounting structure, following consultation with the Internal Audit function and the Control and Risks Committee on the suitability and adequacy of the Internal Control and Risk Management System;

e) assigns and revokes the delegation of powers to the executive boards, establishing the limits and manner of exercising such power and the frequency, normally not less than quarterly, with which the executive boards must report to the Board on the exercise of the powers conferred, in accordance with Article 13 of the Company By-Laws;

f) assesses the general operational performance, taking into account, in particular, the information received from executive boards, as well as periodically comparing the results with the budgets;

g) by adopting procedures for the handling of inside information, defined the management of the internal and external publication of inside information and documentation concerning BasicNet and its strategic subsidiaries.

A corporate reorganisation project was launched in 2022 and completed in 2023. The purpose of the project was to allow a better focus on the individual brands, which brought all the company’s owning the individual brands under the direct control of the parent company BasicNet. The project does not entail any change in the Group's ownership structure or equity structure.

In view of that outlined above, the following companies are considered as “strategically significant” subsidiaries: Kappa S.r.l., owner of the Kappa®, Robe di Kappa® and Briko® brands, K-way S.p.A., Superga S.r.l., Sebago S.r.l., owner of the brands of the same name, BasicVillage S.p.A., a company engaged in the management of the Group’s properties, and BasicItalia S.r.l., formerly the licensee for the group brands, which following the reorganisation took on the new role of logistic hub for the Group distribution companies, and operations, legal and administrative service provider.

The Board on March 8, 2024 confirmed the adequacy of the organisational, administrative and accounting structure of the company and its “strategically significant” subsidiaries, prepared by the Chief Executive Officers, with particular regard to the control and risks system and the general operating performance.

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

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

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

The norms applied in the appointment and replacement of the Directors are set out in Article 13 of the Company By-Laws, in relation to which reference should be made to the Company's website www.basicnet.com/contenuti/gruppo/statuto.asp
The Company is administered by a Board of Directors, made up of between five and fifteen members. The Shareholders' Meeting, before their appointment, establishes the number of members of the Board of Directors and the duration of office in accordance with that permitted by law. The By-Laws provide that at least one member of the Board of Directors, or two if the Board of Directors is comprised of more than seven members, should be considered independent in accordance with law. Each slate should include at least one candidate considered independent.

The procedure for appointment as per Article 13 provides:

- the filing, at the registered office of the Company, within the terms required by legislative and regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personal and professional details of the candidates;
- that the minority shareholders that either alone, or together with other shareholders, holding voting rights not lower than that required by current regulations, will be reserved the appointment of one Director. For 2023, as in previous years, this percentage was set at 2.5% (Consob Executive Resolution No. 92 of January 31, 2024);
- that the procedure for electing the Directors shall be as follows: i) from the slate which obtained the highest number of votes, based on the progressive order with which they are listed in the slate, all the members necessary are elected to fill the number of Directors established for the Shareholders' Meeting, while ensuring the gender balance provisions are complied with, except one; ii) from the slate which obtained in the Shareholders' Meeting the second highest number of votes one member is elected of the Board of Directors as the first candidate on this slate;
- consideration is not taken of the slates which have not obtained at least the number required by the Company By-Laws for the presentation of the slates;
- should two slates receive the same number of votes, a second vote of the entire Shareholders' Meeting is taken to decide between them with the candidate being elected through a simple majority of the votes. In the case of presentation of only one slate, or in the case of no slate presented, the Shareholders' Meeting deliberates in accordance with the statutory majority.

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

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

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

The Board of Directors in office was appointed by the Shareholders' Meeting of April 13, 2022 and its mandate concludes with the approval of the 2024 Annual Accounts. It comprises fourteen members, as shown in the table below:

Structure of the Board of Directors whose members were appointed on the basis of slates presented by Shareholders

Office	Member	Year of birth	Date first appointment (*)	In office from	In office until	Slate (M/m) (**)	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. of other offices (***)	Attendance (****)
Chairperson	Marco Boglione	1956	1999	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Non-Executive Vice-Chairperson	Alessandro Boglione	1988	2019	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Non-Executive Vice-Chairperson	Lorenzo Boglione	1986	2019	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Chief Executive Officer	Federico Trono	1973	2019	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Director	Maria Boglione	2003	2022	13/04/2022	Approval 2024 Accs.	M		X				**3/6**
Director	Veerle Bouckaert	1966	2019	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Non-Executive Independent Director, member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	Piera Braja	1964	2022	13/04/2022	Approval 2024 Accs.	M		X	X	X	5	**6/6**
Director	Paola Bruschi	1967	2007	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Non-Executive Independent Director, member of the Remuneration Committee and of the Control and Risks and Related Parties Committee	Francesco Calvo	1977	2022	13/04/2022	Approval 2024 Accs.	m		X	X	X	-	**5/6**
Non-Executive Independent Director, member of the Control and Risks and Related Parties Committee	Cristiano Fiorio	1972	2019	13/04/2022	Approval 2024 Accs.	M		X	X	X	-	**6/6**
Director	Monica Gamberoni	1968	2022	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Director	Francesco Genovese	1988	2019	13/04/2022	Approval 2024 Accs.	M	X				-	**6/6**
Director and member of the Remuneration Committee	Daniela Ovazza	1956	1999	13/04/2022	Approval 2024 Accs.	M		X			-	**6/6**
Non-Executive Director Chairperson of the Remuneration Committee	Carlo Pavesio	1956	1999	13/04/2022	Approval 2024 Accs.	M		X			3	**5/6**

(*) 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.

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

Diversity policies

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

Regarding the seniority of the Board of Directors members: one member is under 30 years, 10 members are between 30 and 59 years, and 3 members are over 60 years.

The management of the corporate organisation, as also stipulated in the Group's Ethics Code, focuses on ensuring equal opportunities and guaranteeing the professional growth of each individual. There is no difference in treatment relating to gender (considering equivalent roles and seniority) or in the composition of the Group's workforce (1,082 personnel, 680 women, 402 men).

Maximum number of offices held in other companies

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

Induction Programme

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

4.4 ROLE OF THE BOARD OF DIRECTORS (as per Article 123-bis, paragraph 2, letter d), CFA)

In managing its own operations, the Board adopts the provisions of the law and the Company's By-Laws. As such, and in view of the smooth functioning of Board business, it did not consider it necessary to define any further specific rules. For completeness, the role played by the Board of Directors, even if not formally governed by a specific Regulation, is described below.
The Board of Directors meets whenever the Chairperson deems it to be necessary or appropriate, or when requested by at least two members of the board or by the Board of Statutory Auditors. Meetings may also be held off-site, either in Italy or abroad (Article 14 of the Company By-Laws).

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

It is standard practice for the Board of Directors to meet at least five times each year to examine financial performance for the period and to provide updates on the activities conducted by the executive boards. The Board of Directors met six times in 2023.

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

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

The documentation concerning the matters under discussion was made available in advance to the Directors and Statutory Auditors. Since 2019, a dedicated section called "My Documents" has been set up on the corporate website where documents are uploaded for discussion on Agenda items. In accordance with the Code, the Board of Directors, considering the operating dynamics of the Company and the Group, identified the period of two days as appropriate for the sending of preliminary meeting material, except in the cases of urgency, in which case the documentation shall be made available and adequately presented during the meeting. The above-stated deadline for Board meetings was generally met ahead of schedule in 2023.

As mentioned above, the Board held six meetings in 2023, lasting an average of two hours each.

In January 2024, the Company published its financial calendar, which established the days for the five Board meetings for 2024, for the review of the preliminary results, the approval of the 2023 separate and consolidated financial statements, the approval of the half-year report and the review of the quarterly disclosure to the market. As established by Article 82-*ter* of the Issuers' Regulation, BasicNet will continue to publish the quarterly results on a voluntary basis, until any differing assessment. During its meeting on October 29, 2020 and in order to provide more complete and timely disclosure, the Board of Directors decided to combine its quarterly reporting on commercial performance with market disclosure regarding movements in its main operating and financial performance indicators, which are constantly monitored by the Group. The quarterly disclosure shall be published in a press release to be issued on conclusion of the Board of Directors' meetings called to approve the above results. Typically on the same day, a conference call is scheduled during which the Chief Executive Officer explains the data approved by the BoD.

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

On February 13, 2024, the first meeting was held to examine the preliminary 2023 data and review corporate affairs as per Article 150 of the CFA and Article 13 of the By-Laws.

4.5 ROLE OF THE CHAIRPERSON OF THE BOARD OF DIRECTORS

The Chairperson promotes and coordinates the proper functioning of the system of corporate governance in pursuit of the Company's interests.
The Chairperson ensures that the handling of each matter on the Agenda is allocated the necessary time to ensure constructive debate, considering debate among the Board as useful for the motions to be considered, including by providing information prior to the meeting. The Chairperson also ensures the efficacy of the Agenda of Board meetings, adapting the length of discussion to the importance of the items to be discussed.

Secretary to the Board of Directors

A Secretary to the Board of Directors is appointed by the Board of Directors in order to help organise the Board's activities. This Secretary may be selected from among the members of the Board of Directors, employees of the Company, or other individuals from outside the Company.
The Secretary (generally the Corporate Affairs manager) supports the activities of the Chairperson, in particular in the preparation of board and Shareholders' Meetings, in the drafting of the relevant motions, in ensuring the adequacy, completeness and clarity of the information flows to the Board, in the communication with the Directors.
The Secretary assists the Chairperson in relations with the Board and provides impartial assistance and advice to the Board of Directors on any aspect relevant to the proper functioning of the corporate governance system.
The Secretary also coordinates the activities of the Internal Board Committees and provides related support.
The Secretary drafts the minutes of each Board meeting, signs them along with the Chairperson, and ensures that they are archived in the Company's records.

4.6. EXECUTIVE DIRECTORS

The Chairperson and Executive Directors

The Shareholders' AGM of April 13, 2022 confirmed Marco Boglione as the Executive Chairperson of the Board of Directors. On the same date, the Board of Directors appointed Lorenzo Boglione - Executive Vice-Chairperson, Alessandro Boglione - Executive Vice-Chairperson, and Federico Trono - Chief Executive Officer

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

The Board of Directors meeting of April 13, 2022 delegated to the Chairperson all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 4 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 5 million with reference to the annual cost of sponsorship contracts and financial debt transactions with a value within a limit of 60% of the consolidated equity of the Company, and Euro 4 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies).

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

At the same meeting, the Board of Directors delegated:

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

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

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

Reporting to the Board

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

Other Executive Directors

In addition to the Chairperson Marco Boglione (also Chairperson of the Board of Directors of K-Way S.p.A. and Jesus Jeans S.r.l.), the following are Executive Directors: Vice-Chairperson Alessandro Boglione (also Chief Executive Officer of BasicItalia S.r.l., K-Way S.p.A. and Superga S.r.l., Chairperson of the Board of Directors of Kappa S.r.l., KappaRetail S.r.l, Kappa France S.a.s, Sebago S.r.l., SebagoRetail S.r.l, K-Way Retail S.r.l., K-Way Retail Suisse S.A., SupergaRetail S.r.l, BasicRetail S.r.l., BasicNet Asia Ltd. and member of the Strategic Committee of K-Way France S.a.s.)., Vice-Chairperson Lorenzo Boglione (also Chief Executive Officer of K-Way S.p.A. and Sebago S.r.l., Executive Director of Kappa S.r.l., Director of Fashion S.r.l., Chairperson of the Board of Directors of BasicAir S.r.l. and Superga S.r.l., Vice-Chairperson for Business Development of Basic Properties America Inc. and member of the Strategic Committee of K-Way France

S.a.s.), Chief Executive Officer, Federico Trono (also Director of BasicNet Asia Ltd, Executive Director of Kappa S.r.l, Sebago S.r.l., Superga S.r.l. and K-Way S.p.A, Chief Executive Officer of Fashion S.r.l. and Jesus Jeans S.r.l., member of the Strategic Committee of K-Way France S.a.s), Director Paola Bruschi, CFO of the Group (also Executive Director of K-Way S.p.A. and Superga S.r.l.)

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

4.7. INDEPENDENT DIRECTORS

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

Once each year, and upon the appointment of new members, the Board assesses the independence of its members based on the circumstances defined in the CFA and in the Corporate Governance Code.

The Board of Directors meeting of March 8, 2024 assessed, on the basis of their declarations, the independence of these Directors.

As stated in the report to the Shareholders' AGM called for the approval of 2023 Annual Accounts, the Board of Statutory Auditors has verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

5. MANAGEMENT OF CORPORATE INFORMATION

The Board approved the procedure for the handling of confidential information, subsequently updated with the regulations on Market Abuse. The policy was updated on February 19, 2018, incorporating the Guidelines upon the management of inside information published by Consob in October 2017.

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

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

The procedure is available on the website: www.basicnet.com/contenuti/gruppo/internaldealing.asp.

In 2023, 12 Internal Dealing communications regarding transactions involving the BasicNet share by one shareholder were received in accordance with the Market Abuse Regulation (MAR).

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

The Board meeting of April 13, 2022 appointed the Remuneration Committee and the Internal Control and Risks Committee, which continued to act also as the Related Party Transactions Committee.
It is standard practice for the committees to meet when called by the committee Chairperson, in coordination with the Company's Corporate Affairs function. All committee members have access to the company information needed for their activities. Materials regarding the items on the Agenda for the committee meeting are to be provided by the Corporate Affairs unit at least two days prior to the meeting, unless otherwise established (e.g. procedures for the examination of related party transactions require that documentation be provided at least 15 days prior to the meeting at which the Committee is called to express its opinion on the transaction). The minutes of committee meetings are drafted by their respective Chairpersons. Minutes of committee meetings are to be archived by the Corporate Affairs unit.
The average length of committee meetings is one hour thirty minutes for the Control and Risks and Related Parties Committee and one hour for the Remuneration Committee.

STRUCTURE OF THE INTERNAL BOARD COMMITTEES AT YEAR-END

B.o.D.		Committee Control and Risks and related party transactions		Remuneration Committee	
Office/Category	**Members**	(*)	(**)	(*)	(**)
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office from April 13, 2022)	**Piera Braja**	5/5	C	1/1	M
Independent Non-Executive Director as per CFA and Corporate Governance Code (in office from April 13, 2022)	**Francesco Calvo**	5/5	M	1/1	M
Independent Non-Executive Director as per CFA and Corporate Governance Code (reconfirmed by BoD on April 13, 2022)	**Cristiano Fiorio**	5/5	M		
Non-Executive Director (reconfirmed by BoD on April 13, 2022)	**Daniela Ovazza**			1/1	M
Non-Executive Director (reconfirmed by BoD on April 13, 2022)	**Carlo Pavesio**			1/1	C
Number of meetings held in the year:		5		1	

KEY

Office: Office within the Board of Directors.

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

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

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

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

8. DIRECTORS' REMUNERATION - REMUNERATION COMMITTEE

8.1. REMUNERATION OF DIRECTORS

Remuneration Policy

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

On March 8, 2024, 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
The Group recognises the central importance of human resources, in the firm belief that the principal factor determining the success of the business is the individual acting in an environment which supports professional and human growth. In this context, BasicNet's Remuneration Policy is determined by taking into consideration aspects of the compensation and working conditions of the Company's employees. Both respond to the aim of attracting, retaining and motivating human resources with the necessary skills to oversee and develop the Company's activities and to lay the foundations to pursue the long-term interest and sustainability of the Company.

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

In line with BasicNet's philosophy, employees' working conditions play a decisive role, alongside compensation, in fostering a sense of belonging to the Group and building corporate identity, which in turn is recognised as a critical success factor. Working activities are carried out at the BasicVillage, designed to put the person at the centre, who can enjoy a series of services and recreational spaces.
Additional information about BasicNet's policies regarding the management of social and Human Resources-related issues can be found in the Consolidated Non-Financial Report, included in the Directors' Report, published at www.basicnet.com, Financial data/Financial Statements section.

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

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

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

The Board also establishes the remuneration of the Supervisory Board and of the Executive Officer for Financial Reporting.

At the date of approval of this report, the Group has not launched any incentive plans based on the allocation of financial instruments or other variable components of any kind upon achievement of performance targets.

For information about the Share Plan, please see point 2, letter e) above and the Remuneration Report.

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

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

The disclosures required by Article 123-bis, paragraph 1, letter 1) ("the agreements between the Company and Directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer") are contained in the Remuneration Policy and Report published pursuant to Article 123-ter of the CFA, available on the Company's website http://www.basicnet.com/contenuti/datifinanziari/assembleeazionisti.asp?menuSelectedID=4.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 13, 2022, the Board appointed the Remuneration Committee comprising the Directors Carlo Pavesio (Chairperson) and Daniela Ovazza, Non-Executive Director and the Non Executive Independent Directors Piera Braja e Francesco Calvo. Members of the Board of Statutory Auditors can attend, and generally do attend, the meetings of the Committee. 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.

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

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

In 2023, the Committee met once to review the draft Remuneration Report to be submitted to the Shareholders' Meeting, the proposal to award a one-off bonus, in view of the Group's significant economic-financial performance in 2022, to vice-chairmen Lorenzo Boglione and Alessandro Boglione and the Chief Executive Officer, Federico Trono. The Chairperson of the Board of Statutory Auditors attends 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 (including the procedure for reporting unlawful acts and irregularities - whistleblowing) and subsequent amendments, are an integral part of the Internal Control and Risk Management System.

With regard to the assessment of the Internal Control and Risk Management System, the Board of Directors, at its meeting on March 8, 2024, confirmed the adequacy of the organisational, administrative and accounting structure of the Company and its "strategically significant" subsidiaries, prepared by the Chief Executive Officers, with particular reference to the control and risk system and general operating performance.

9.1 CHIEF EXECUTIVE OFFICER

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

9.2. CONTROL AND RISKS COMMITTEE

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

The Control and Risks Committee was appointed at the Board meeting of April 13, 2022. The Committee is composed of three Independent Directors: Piera Braja (Chair), Francesco Calvo and Cristiano Fiorio. The Board deems that the members have adequate expertise in the Company's business sector in order to assess related risks, and in accounting and finance and risk management.

Control and Risks Committee Functions

The Committee supports 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 2023, the Committee met five times with an average meeting duration of two hours and thirty minutes. During the year, the meetings of the Control and Risks and Related Parties Committee were also attended by the members of the Board of Statutory Auditors, the Chief Financial Officer and Executive Officer for Financial Reporting, the Chairperson of BasicManagement.com, the Internal Audit Manager, the Chairperson and members of the Supervisory Board and the company appointed to audit the Group's accounts. During the meetings, the Committee:

- met periodically with the Internal Audit Manager, reviewed the Internal Audit Plan and periodic reports;
- examined the reports submitted to the Board of Directors by the Supervisory Board and acknowledged the evaluations expressed with regard to updating the 231 Model and the Whistleblowing Procedure, the absence of censurable events or violations of the Organisational Model or of the provisions contained in Legislative Decree No. 231/2001;
- carried out the activities within its remit relating to financial disclosure as regards the Financial Statements at December 31, 2023, meeting with the Executive Officer for Financial Reporting and the independent audit firm in the presence of the Board of Statutory Auditors. This sought to assess the correct use and uniformity of the accounting standards adopted in preparing the financial statements and the consolidated financial statements for 2023, 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 2023 Consolidated Non-Financial Report, reviewed the 2023 Consolidated Non-Financial Report, rendering a favourable opinion on the Board's approval of the Consolidated Non-Financial Report;
- monitored compliance with the Related Parties policy.

9.3. INTERNAL AUDIT MANAGER

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

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

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

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

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

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

The Board of Directors at the meeting of April 13, 2022 appointed the members of the Supervisory Board. The Supervisory Board is tasked with overseeing the correct functioning of the Model and updates. The Supervisory Board reports on at least a half-yearly basis to the Control and Risks Committee and to the Board of Statutory Auditors.

As part of the Internal Control and Risk Management System, the Parent Company BasicNet S.p.A. and the proprietary companies of the Brands Kappa S.r.l., K-Way S.p.A., Superga S.r.l. and Sebago S.r.l., BasicItalia S.r.l. and Basic Village S.p.A. have adopted an "Organisation and management model as per Legislative Decree No. 231/2001" (hereinafter also the "231 Model"), which is continually updated in line with the introduction of new offences under the framework regulation.

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

To promote awareness of and respect for the Ethics Code and the organisation and control model these have been published on the Company's website www.basicnet.com/contenuti/corporate/codiceetico.asp and on the BasicGuys platform area dedicated to Group Human Resources.

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

In 2023, the Organisation Model was updated in implementation of the new crime provisions, and the new whistleblowing regulations, regarding the protection of whistleblowers. The new procedure, which is available on the corporate website, identifies in detail the whistleblowing channels, the steps involved in

submitting a whistleblowing report, the confidentiality of the information, the guarantees of non-retaliation and the whistleblowing management process.
The update of the Model also involved a review for the risk areas for commission of offences, and the related processes and controls, also considering the completion of the Group reorganisation operations.
In 2023, the Supervisory Board met four times.

Ethics Code

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

In 2023, 71 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 265 participants, of which 259 white-collar and 6 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 competitivity 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 according to the procedure for reporting alleged offences and irregularities, known as whistleblowing, any violation or suspected violation of the Ethics Code to the Supervisory Board. Substantiated violations of the principles of the Ethics Code will result in sanctions.

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

Sourcing Centers Ethics Code

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

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

The principles cited in the Sourcing Centers Ethics Code include:

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

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

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

Conflicts of interest and prevention of bribery and corruption

The Company adopted as per Legislative Decree No. 231/2001 an 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 for the benefit of the Group. Neither is it permitted to mislead, by artifice or deception, the Public Administration or the European Union to obtain an unfair profit for the Group to the detriment of the Public Administration; The direction of funds received from national or EU authorities as disbursements, contributions or financing for objectives other than those intended is forbidden, or to utilise them in violation of the applicable regulations and rules. 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, without omitting any important or significant information. 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. Similarly, the Supervisory Board deemed it appropriate to include the special part of the relative Organisational Models with the crime of fraudulent transfer of valuables", as specified under Article 512-bis of the Penal Code, recently introduced a predicate offence under the administrative liability of legal entities pursuant to Legislative Decree no. 231/2001.

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.

Must not offer, promise or give undue money or other benefits to Directors, General Managers, Executive Officers for Financial Reporting, Statutory Auditors, liquidators - or those subject to the management or supervision of those individuals - to incite them to perform or not perform an act which violates the obligations of their office or obligations of loyalty;

In order to spread the culture of combatting corruption, as regards the anti-corruption policies and procedures, the main ones of which derive from Legislative Decree 231/2001, were summarised in a special course available on the e-learning platform. In 2023, 361 hours of training were held, both in person and virtually. The training involved 389 participants, 7 of which were executives, 373 white-collar and 9 blue-collar employees, all operating in Italy.

The course is regularly updated based on the current regulatory provisions an passed on to all Group resources in the new release.

Participants in training and on anti-corruption policies		**2023**	**2022**
Executives (No.)		7	23
	% of total Executives (*)	23%	76%
White-collar (No.)		373	710
	% of total White-collar (*)	52% (**)	108%
Blue-collar (No.)		9	18
	% of total Blue-collar*	41%	82%
Total (No.)		389	751
	% total Group*	**50.84% (**)**	**106%**

(*) Percentages are calculated on the average workforce in Italy in 2023

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

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

9.5 INDEPENDENT AUDIT FIRM

The audit is carried out by an independent audit firm registered in the relevant registrar. The Shareholders' Meeting of April 27, 2017 appointed EY S.p.A. to audit the accounts for the 2017-2025 period.
The proposal to the Shareholders' Meeting regarding the new appointments, in accordance with Legislative Decree No. 135 of July 17, 2016 and Regulation (EC) No. 537/2014, included, on the outcome of a selection process created and carried out by the Company, the recommendation and the preference expressed by the Board of Statutory Auditors.

9.6 EXECUTIVE OFFICER FOR FINANCIAL REPORTING

The Board meeting of April 13, 2022 appointed Director Paola Bruschi, Group Finance Director, as the Executive Officer for Financial Reporting for three years, with the favourable opinion of the Board of Statutory Auditors. Paola Bruschi possesses many years of experience in the administrative, financial and control areas, as well as the qualifications required by law for the holding of the office of Director.
In undertaking her duties, Paola Bruschi has the power to approve the corporate procedures impacting upon the financial statements, on the consolidated financial statements and on other documents which may be audited, and may participate in the design of the IT systems which impact upon the financial position of the company; she may develop an adequate organisational structure to undertake her activities, utilising internal resources available and, where necessary, outsourcing; she may also, where necessary, utilise the financial resources of the company, providing adequate information to the Board of Directors, and she may utilise the Internal Audit department for the mapping and analysis of processes and to carry out specific checks.
The Executive Officer for Financial Reporting periodically reports to the Control and Risks Committee and the Board of Statutory Auditors on the activities carried out and communicates on an ongoing basis with the Independent Audit firm.
The Board believes that this Executive Officer for Financial Reporting is impartial in relations with the other functions involved in the control process.

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

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

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

1) Introduction

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

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

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

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

   The System provides for:

   - a set of rules and procedures for the preparation of financial statements and monthly reporting and a financial calendar for an efficient exchange of information between the Parent Company and its subsidiaries;
   - an identification and assessment process of the major Group companies and of the principal company processes for the preparation of the income statement and balance sheet, through qualitative and quantitative analysis;
   - a process of identification and evaluation of the principal risks of errors of the accounting and financial information, based on a control process, implemented on a company web platform with levels of protected access, which flags any errors;
   - a process of periodic evaluation of the adequacy and effective application of controls. The Internal Control and Risk Management System relating to financial reporting is coordinated and managed by the Executive Officer for Financial Reporting, in concert with the Internal Audit department, for the verification of control system operations.

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

10. DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS

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

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

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

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

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

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

The procedure is available on the Company's website:
www.basicnet.com/contenuti/corporate/particorrelate.asp

11. BOARD OF STATUTORY AUDITORS

11.1 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 at www.basicnet.com/contenuti/gruppo/statuto.asp.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The procedure for electing Statutory Auditors are as follows:

a. from the slate which obtained the highest number of votes at the Shareholders' Meeting, based on the progressive order on the slate, two Statutory Auditors and one Alternate Auditor are elected;

b. from the slate which obtained the second highest number of votes at the Shareholders' Meeting, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

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

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

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

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

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

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

For the supplementation of the Board of Statutory Auditors:

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

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

11.2. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (as per Article 123-bis, paragraph 2, letters d) and d-bis) CFA)

The Board of Statutory Auditors, whose mandate shall conclude with the approval of the 2024 Annual Accounts, therefore comprises:

Office	Member	Year of birth	Date first appointment (*)	In office from	In office until	Slate (M/m) (**)	Ind. Code	Attendance at Board meetings (***)	No. other offices (****)
Chairperson	Ugo Palumbo	1983	13/04/2022	13/04/2022	Approval 2024 Accs.	m	X	10/10	
Statutory Auditor	Gianna Luzzati	1962	13/04/2022	13/04/2022	Approval 2024 Accs.	M	X	10/10	
Statutory Auditor	Alberto Pession	1965	27/04/2017	13/04/2022	Approval 2024 Accs.	M	X	9/10	
Alternate Auditor	Riccardo Garbagnati	1961	13/04/2022	13/04/2022	Approval 2024 Accs.	m	X	N/A	
Alternate Auditor	Simonetta Mattei	1967	13/04/2022	13/04/2022	Approval 2024 Accs.	M	X	N/A	

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

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

(***) This column indicates the attendance by Statutory Auditors at meetings of the Board of Statutory Auditors with reference to the appointment date.

(****) This column indicates the number of offices, in addition to BasicNet S.p.A., of director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144-*quinquiesdecies* of the Consob Issuers' Regulation.

Diversity criteria and policies

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

Independence

The Board of Statutory Auditors met immediately after the Shareholders' Meeting appointment of April 13, 2022 and, according to the Consob Issuers' Regulation, verified for all of its members compliance with the independence requirements established by Law (Article 148, paragraph 3 of the CFA) and by the Corporate Governance Code for the Statutory Auditors of companies with listed shares, confirming the inexistence of reasons for the ineligibility, incompatibility and/or lapse as per the applicable regulation, the company By-Laws and the Corporate Governance Code.

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

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

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

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

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

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

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

Remuneration

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

Management of interests

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

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

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

12. SHAREHOLDER RELATIONS

Access to information

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

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

Shareholders may communicate with the Company through the address affarisocietari@basic.net.

Dialogue with Shareholders

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

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

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

2023 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 1, letter I) and paragraph 2, letter c), CFA

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

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

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

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

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

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

The Board of Directors, and any executive boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the Company, undertaken before the communication as described above and whose implementation could negate the achievement of the objectives of the offer.

The Shareholders' Meeting (June 30, 2000, and for supplementation and/or modifications subsequently on April 29, 2011) approved the Shareholders' Meetings Regulations in order to permit the orderly functioning of the meetings and to guarantee the right of each shareholder to take the floor on matters under discussion. The Shareholders' Meeting regulations are available on the Company website www.basicnet.com/contenuti/gruppo/regolamento.asp.

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

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

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

One Shareholders' Meeting was held in 2023.

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.

for the Board of Directors
The Chairperson

Marco Daniele Boglione

CONSOLIDATED NON-FINANCIAL REPORT
DRAWN UP AS PER LEGS. DECREE 254/2016

CONTENTS

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, paragraph 1 and paragraph 2 and Article 4 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 2023 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 2023 that is consistent with its organizational structure (reporting period from January 1 to December 31, 2023). The 2023 Non-Financial Report was approved on March 8, 2024 and subsequently published.

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

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

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

The contents and indicators subject to reporting were selected on the basis of the materiality analysis conducted in 2023 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 2022.

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

It should be noted that there have been no changes in the scope of consolidation during the period under review. In addition, no revisions or amendments to last year's figures were made.

The financial reporting scope is the same as for the BasicNet Group's 2023 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, 2023 and consolidated line-by-line in the Group's Consolidated Financial Statements.

In 2023, the corporate reorganisation project was completed which was initiated to bring under the direct control of BasicNet all of the individual brand-owning companies. It should also be noted that the scope of environmental reporting, especially as regards energy consumption and greenhouse gas emissions, includes the company BasicAir S.r.l., which owns a used Cessna Citation aircraft.

Following the corporate transactions executed in the year, all the brand-owning companies are now under the direct control of BasicNet S.p.A., as is management of commercial activities within the companies that own the individual brands and the retail activities under the control of each individual [brand] by way of the [brand]retail companies. K-WayRetail S.r.l. and KappaRetail S.r.l. have been operational since 2021 and 2022, respectively, as have SebagoRetail S.r.l. and SupergaRetail S.r.l. since 2023.

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 2023. 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. For further information, please contact the e-mail address: affarisocietari@basic.net.

This Report was approved by the Board of Directors of BasicNet S.p.A. on March 8, 2024, along with the Annual Financial Report.

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

1. Sustainability for BasicNet

1.1 Stakeholders and materiality analysis

In its operations, BasicNet has always sought to create value for its shareholders and, more generally, all those who have a stake in the Group's business. Accordingly, as part of its pursuit of sustainability, in 2022 BasicNet updated the **mapping** of its main **stakeholders**, confirming the analysis in the previous years, by conducting an analysis of its business and with the participation of Group management. In 2023, no changes were made to Group business or to the consolidation scope, so no update to the related mapping has been necessary. The goal was to identify the main groups that may be influenced by BasicNet's business, including with regard to the type of relationship with the Group in terms of dependence and influence. This mapping process – which resulted in the identification of **nine main groups** of stakeholders – was carried out in accordance with the international principles established by AA1000 Stakeholder Engagement Standard, AccountAbility (2015), and the GRI Sustainability Reporting Standards, 2021.

The main stakeholders include groups directly linked to business activities, such as Group Resources, Investors, Shareholders and the Financial Community, the Public Sector, Governmental and Control Bodies and the Local Communities in which the Group operates. Due to the specific nature of BasicNet's business system, Sourcing Centers and Licensees play a significant role. Both are commercial partners to the Group and belong to the broader category of clients and consumers (together with the stores involved in retail activities) and suppliers (a category which includes the Group's non-core suppliers of goods and services and Sourcing Centers, i.e. the core suppliers of the subsidiary BasicItalia S.r.l.., Kappa S.r.l., Sebago S.r.l., Superga S.r.l., K-Way S.p.A. and K-Way France S.a.s. (and its subsidiaries) proprietary licensees). Also of great importance to the Group's business in Italy are the wholly-owned franchisees of the subsidiaries of BasicRetail S.r.l., merged into BasicItalia S.r.l. at the end of June 2023 after transferring all commercial assets of the retail companies established to manage the stores of the various brands, namely: KappaRetail S.r.l., K-WayRetail S.r.l., SebagoRetail S.r.l. and SupergaRetail S.r.l.

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

List of the BasicNet Group's stakeholders

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

Given the continuity of Group business, the materiality analysis, consistent with the indications of the reporting standard and macro sector trends, was maintained also for the 2023 Non Financial Information Report. The analysis resulted in the identification of **16 material topics**, divided into four general categories (Governance, Compliance and Economic Responsibility, Responsibility in the Value Chain, Social Responsibility and Environmental Responsibility), for each of which the main stakeholders with the greatest involvement were identified. This overview represents a fundamental tool for the Group to set its priorities with regard to sustainability and to steer the actions to be pursued in this area.

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

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

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

1.2 Promoting the economic development of BasicNet's partners

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

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

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

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

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

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

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

Also in 2023, the assessment process was conducted on 100% of the new Sourcing Centers (49 in 2023), with a return to physical visits.
At present, the Inlight project is no longer able to meet the new legislation that will soon be going into effect. Therefore, new projects involving the sourcing centres have begun in order to enhance the visibility of the various sustainability initiatives.
During 2023, BasicNet has planned and already partially initiated several initiatives for the taking of a systemic approach to sustainability, with the Group to undertake an active and conscious role.
A central point of the Group's activity remains the attention to the development of sustainable collections, to be made available to the network of Licensees, and to the management of a rating that prefers Sourcing that complies with the Group's initiatives.
The goal is to constantly improve the production process and the related supply chain. The Group strongly believes that minimizing social and environmental impact is the correct path to take and the ultimate goal is to continue to grow sustainably by offering attractive products in this regard.

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

For the K-Way Brand all tags have new codes and are made of FSC paper, derived from recovered or recycled material.
Similarly for Sebago, whose shoe tags and boxes are made of FSC paper.
The same has been undertaken for Superga, whose tags and boxes have been made of FSC paper with soy-based inks, vegetable coatings, and UV printing from the second half of 2022 and the first half of 2023 for accessories. Starting in Fall Winter 2022, label lanyards are made of recycled nylon, recycled paper, or jute (depending on the type of packaging). The shoe-fillers are made of 100% recycled and recyclable plastic.
The main labels of the Robe di Kappa brand are made of recycled polyester yarn from the first half of 2022.
Kappa uses hangtags processed with water-based inks and sourced from an FCS (Forest Stewardship Council) certified paper mill.
For the poly-bags, there is also a partnership in place to verify the ability to have a product that is 100% recycled.

The BasicNet Group, which has operations and offices through subsidiaries in several European nations, took action in 2023, with the support of external consultants, to comply with the various European regulations on packaging waste and waste in the textile industry generally.

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®

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

Our commitment is not limited to product research, but extends to packaging and packaging accessories. All boxes and labels are printed on recycled paper certified by the Forest Stewardship Council (FSC) using soy-based inks, plant-based coatings, and UV print techniques. The shoe fillers are made of 100% recycled and recyclable plastic. In 2023, we began developing a shoe filler made of recycled paper, which we expect to bring to market by late 2024.

Sebago®

Its strength is the "durability" of the product, as the philosophy of the Brand is that a conscious purchase is one that stands the test of time.
In this regard, we have entered into an initial collaboration with a footwear firm specialised in sole-replacement and shoe repairs with Goodyear techniques to prolong the useful life of footwear.
We recall also that the processing of raw leather starts from the reuse of a waste from the food industry, In this manner, it is possible to consider tanning production as one of the first cases of "Circular Economy": the use of a waste from another production process becomes the "raw material" for a new production.
The Q1Q2 2023 items also include 3 styles constructed with a rubber sole whose compound also includes the excess rubber recovered from previous moulds.

The Q1Q2 2024 collection will also include specially-designed articles for a collaboration with a well-known Italian brand, which will feature soles made from recycled rubber. These soles will be made with reclaimed materials mixed with rubber to create a new compound. These reclaimed materials will be the waste material of soles that are ground up finely into various sizes to give the rubber a renewed elasticity and enable it to be used again in production. The percentage of recycled material will range between 5% and 15%.
The leather used is obtained from waste from the meat industry in particular. This is a animal byproduct (ABP) that is an excellent example of the circular economy: taking waste and turning it into a product of the highest quality.
The size labels used for the apparel collections are also 100% recycled polyester.

K-Way®

There are several offers for K-Way as well.
These include the Amiable collection made of 100% recycled and recyclable nylon, the Heavy Warm package with Thermore Ecodown padding, the Twill package with sustainable fibres and the use of recycled nylon fabrics, recycled polyester linings filled with recycled down on different packages (3L Camou, 2.1 Amiable, R&D Twill, Light Warm Double, Eco Fur Double, Amiable Thermo Heavy, Shiny Twill Double, Shiny Twill, Quilted Warm, Warm Ottoman, Stretch Dot, Stretch Thermo Double).

K-Way has launched a marketing project in collaboration with renowned photographer Achille Mauri and fashion icon Giacomo Cavalli to explore the work of the Coral Gardeners Foundation, which is committed to protecting the coral reef in French Polynesia.

The focus is on the connection between fashion and sustainability with the goal of creating visual content that will help reconcile the complex interaction between nature and humanity, with a particular emphasis on marine conservation and the restoration of our coral reefs.

The project is a collaboration with Coral Gardeners, a group of scientists and activists dedicated to protecting and restoring Tahiti's coral reefs, which are currently under threat from a variety of global and local pressures. Through words, sounds and images, the initiative tells of the process of transplanting cultivated coral to reinforce the colonies and trigger a virtuous cycle to help these "blue communities" beneath the sea to thrive.

The brand has also begun a collaboration with QUID to promote social reintegration of people at risk while making creative use of reclaimed textiles.

This collaboration between K-Way and QUID has led to a reinterpretation of iconic articles using high-quality, recycled fabric, underscoring the brand's commitment to responsible fashion.

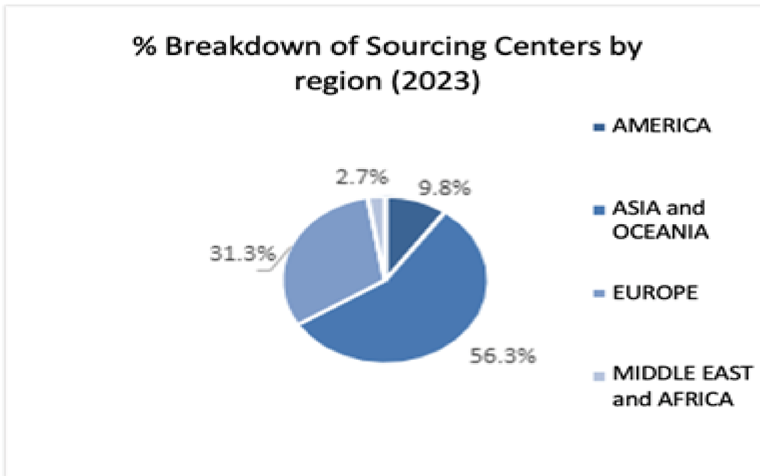
Kappa®

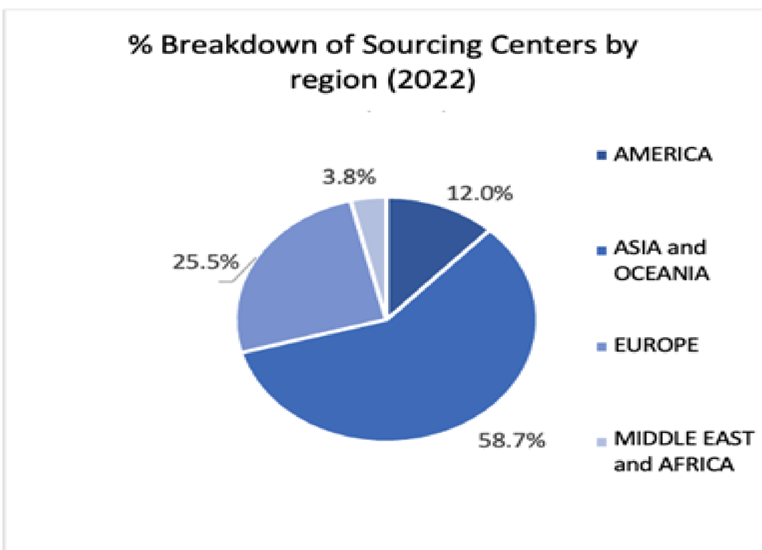
We continue to offer our network of distribution licensees collections that include articles developed with responsible materials, such as organic cotton and recycled polyester.

Robe di Kappa®

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

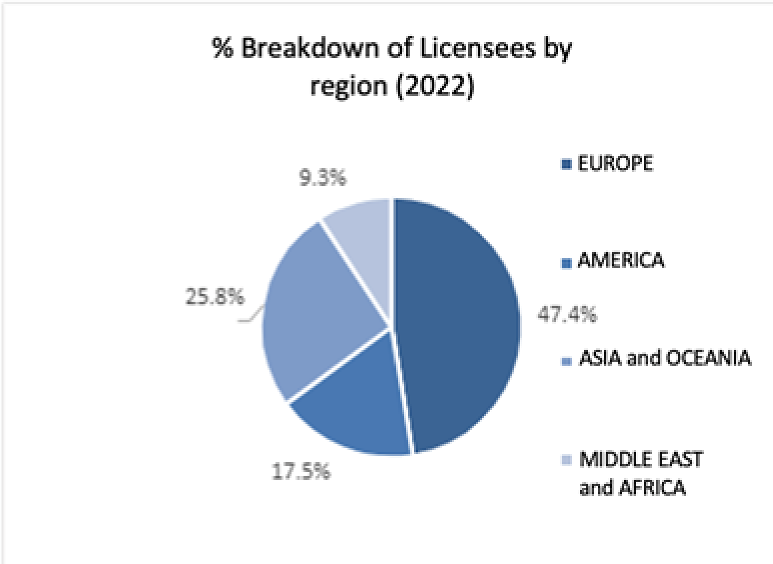
In 2023, the Group was supplied by a total of 224 sourcing centres (or 214, since some have operating units in more than one country), compared to 184 in 2022 (174 in effective terms). Their facilities are located all over the world.





Again this year, the increase of sourcing centres, which took place as always in compliance with the search for the best option for all Partners involved in the purchasing process, is due to the effort to find the best balance in the various geographical areas. The growth in fact was in Europe, reaching a share of 31.3% (up from 25.5% in 2022).

The total number of Licensees remained essentially the same: 97 Licensees were involved in 2023, which is 3 more than in FY 2022. Of these 97, 4 are in sell-off.



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

1.3 BasicNet's approach to taxation

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

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

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

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

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

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

2. Responsibility in the Value Chain

2.1 The supply chain

The Group distinguishes between its dealings with regular suppliers of goods and services ("non-core" suppliers) on the one hand, and its dealings with sourcing centres and licensees on the other, which are the Group's true commercial counterparts. As can be seen from a mapping of the Group's stakeholders, BasicNet's Business System distinguishes between its dealings with Licensees, considered as commercial partners, which includes the Group's *Customers and consumers*, and its Sourcing Centres, as core suppliers of the subsidiaries BasicItalia S.p.A. (until 31/10), K-Way S.p.A., K-way France S.a.s, Kappa S.r.l., Sebago S.r.l., Superga S.r.l. and Kappa France S.a.s.

"Core" suppliers

BasicItalia S.p.A. (until 31/10), Kappa S.r.l., Sebago S.r.l., Superga S.r.l., K-Way S.p.A., K-Way France S.a.s. and Kappa 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. (until 31/10), Kappa S.r.l., Sebago S.r.l., Superga S.r.l., K-Way S.p.A., K-Way France S.a.s. and the Kappa Europe Group.

The subsidiaries of the Group buy 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.

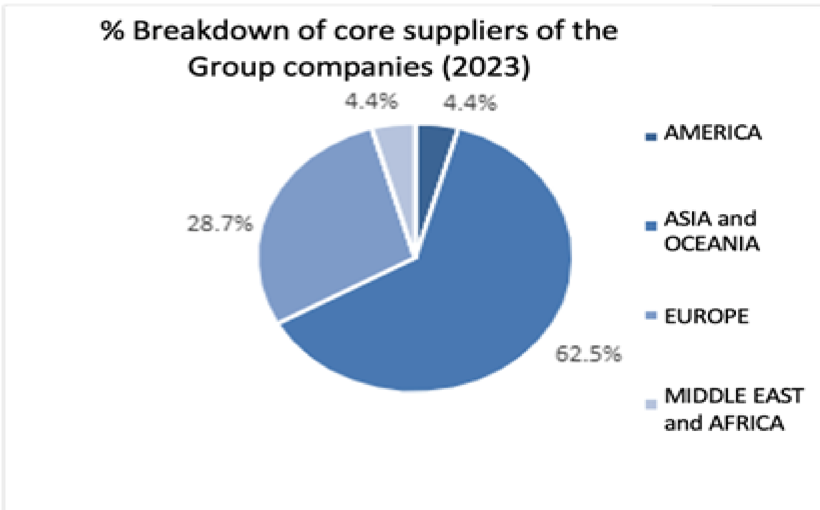
The companies BasicNet Asia and BasicNet Asia Vietnam have been set up with the task of managing relationships with the Sourcing Centers in the area, in order to optimise the control of their activities and to ensure the constant changing of suppliers and to hinder positions of strength.

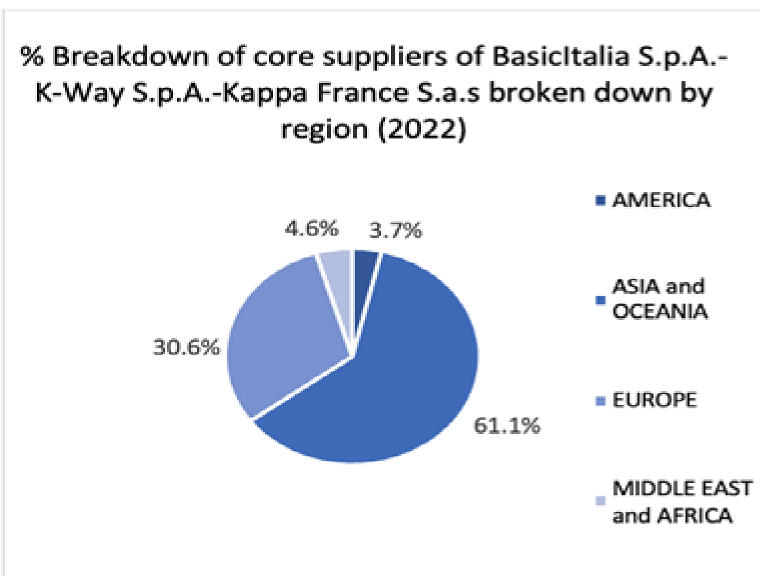
Sourcing contracts are based on a standard that arose over the years and was prepared by specialised outside lawyers. If individual contracts require exceptions, amendments or riders as a result of contractual agreements or to comply with local laws, these provisions are analysed beforehand by international 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 and carefully monitored and managed with timely updated information.

Every sourcing centre that joins the Group's network, regardless of whether it is one of BasicNet's Clients and consumers or a core supplier of its Italian or foreign subsidiaries, must read and sign the Ethics Code and Code of Conduct, which are based on the fundamental conventions of the International Labour Organisation (ILO), the Universal Declaration of Human Rights and the PRSL (Product Restricted Substances List).

In 2023, just as in the previous year, almost all sourcing centres supplying the Italian and foreign subsidiaries of the Group 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.

In addition to the provisions of the Ethics Code, which are a part of our corporate culture, corruption prevention is also a part of the 231 Model, which is of fundamental importance in ensuring the integrity and transparency of our operations. The preventive measures adopted by the Group entail, first and foremost:

1. the periodic review of the 231 Model and the constant monitoring of its efficacy by way of periodic assessments and updates in response to new legislation or changes in the organisation;
2. periodic employee training and awareness actions regarding the Group's Ethics Code and updates to the 231 Model;
3. internal controls to monitor any suspicious financial transactions or other conduct;
4. the gradual elimination of the use of cash, with any payments made or received in excess of Euro 500 being reported to the Italian tax authorities in the Group's tax filings;
5. the establishment of whistleblowing channels for the reporting of illicit conduct without fear of repercussions.

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. Within the Ethics Code of Conduct in particular, there is specific reference to respecting human rights, with the code's guidelines making direct reference to the principles of the International Labour Organisation and of the Universal Declaration of Human Rights.

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 BasicNet

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 2023, the Group had around 2,423 suppliers for purchases not strictly related to core operations, up from 2,384 in the previous year. Of these, approximately 38% 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.

2.2 Data protection

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

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

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

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

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

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

Perimeter protection of the IT infrastructure is outsourced to a certified outside body, a SOC (Security Operation Centre) that conducts 24/7 monitoring of the entire network.

In addition, a new policy was introduced to protect user passwords and access to applications via activation of Multifactor Authentication, or two-factor authentication.

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

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

In order to increase awareness of security and safety issues, on the very day new employees are hired, they sign an information sheet with the Code's rules on personal data protection (Legislative Decree No. 196 of 30/6/2003), the appointment of data processors in accordance with Regulation (EU) No. 2016/679 and Italian Legislative Decree No. 196/2003, the Group's Ethics and Conduct Code, a pamphlet on health and safety, and they are informed of all IT procedures that are to be followed. Courses on these IT procedures are available at all times on the BasicEducation platform. Furthermore, instruction videos are available on the BasicEducation portal that explain how to handle computers and software.

For the companies abroad, instructions have been provided for the constant alignment with the principles followed in Italy, and the required procedures and implementations are monitored.

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 2023, in which no violations were reported). As regards K-Way France S.a.s., acquired in April 2022, an assessment is currently underway to examine the privacy management system in place. This aims to identify - and, where necessary, plan - any changes required to bring this system in line with the system adopted by the Basic Group.

2.3 Consumer protection

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

BasicTrademark combats counterfeiting

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

Each such report is processed individually by analysing samples and available information and then preparing expert opinions. In the event that preliminary investigations are needed in order to seize goods, BasicNet coordinates and manages these tasks, in addition to arranging for the removal or deletion and reassignment of illegal websites.
Monitoring and enforcement are supported by outside agencies responsible for this task, especially with respect to online counterfeiting.

BasicLabel labelling

Each product developed and marketed by BasicNet bears a label containing all information required by the various applicable Italian and overseas laws, and in particular by the Consumer Code (Legislative Decree 206/2005 and EU Regulation 1007/2011) that lists textile fibre names and governs the labelling and marking of the fibre components of textile products – in addition to the requirements that domestic law now imposes on each licensee. In addition, each label bears the order number entered by the licensee that, together with the other information on the label, allows BasicNet to check whether the merchandise is genuine and matches the goods on the market.
The BasicLabel project was created so as to reassure the end customer that the product is genuine and can be properly traced.
The project operates entirely online. Starting from the information of the items in BasicSamples and BasicSpecs (which are in charge, respectively, of determining and selling sample collections and of setting technical specifications), when acceptance of an order is confirmed through BasicFactory (the online order management platform for sourcing centres), the BasicLabels manufacturer automatically receives an order for as many labels as items have been ordered (plus buffer amounts), thus assuring tight control over the number of items manufactured.
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.
The project is currently active with the K-Way, Superga, Briko and Sebago (Apparel) brand products, covering about 50% of products by 2023, considering that the remainder is almost entirely managed with QR Labels.

3. Social Responsibility

3.1 BasicNet Group human resources

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

At December 31, 2023, the Group's workforce consisted of 1,082 employees, of which 70.70% in Italy. Most workers have full-time contracts - 941, of which 380 are men and 561 are women - while 141 employees work part-time, of which 84.40% are women. Most employees on part-time contracts are in retail sales as it is a seasonal business and many sales outlets are still start-ups. In addition, the Group sometimes hires temporary workers. In fact, during the year 2023, mainly in the logistics area and retail area, 31 resources (including 8 men and 23 women) were hired under agency contracts. The use of temporary workers increased slightly in 2023 in connection with pop-up stores set up by the various brands at some of the most popular shopping centres.
In addition, during 2023, 77 interns (31 men and 46 women) were registered.

Workers by type of contract (No.)*		2023			2022		
		Male	Female	Total	Male	Female	Total
Italy		242	523	765	218	459	677
	Permanent	183	383	566	158	324	482
	Fixed-term	59	140	199	60	135	195
Overseas		160	157	317	141	143	284
	Permanent	122	127	249	109	109	218
	Fixed-term	38	30	68	32	34	66
Total		**402**	**680**	**1,082**	**359**	**602**	**961**
	of which:						
	Full-time	380	561	941	349	489	838
	Part-time	22	119	141	10	113	123

* Data on the total number of employees reflect only the headcount (non-FTE) of in-house staff at December 31, 2023

In contrast to the previous two-year period, the Group did not use social security schemes in 2023.
In 2023, 469 new staff were hired (189 males and 280 females). Departures numbered 348 people, with a staff turnover rate of 32.26%. The new hires and departures were principally in the Retail area, both in Italy and abroad. In 2023, with the opening of a new point of sale, the newly established K-Way Iberia became a member of the BasicNet Group.

Hiring rate and staff turnover	2023				2022			
	Hires (no.)	Departures (no.)	Period-end turnover incoming *	Period-end turnover outgoing **	Hires (no.)	Departures (no.)	Period-end turnover incoming	Period-end Turnover Outgoing
Gender								
Male	189	142	47.01%	35.32%	176	116	49.03%	32.31%
Female	280	206	41.18%	30.29%	278	241	46.18%	40.03%
Age group								
Under 30	347	240	87.41%	60.45%	298	198	90.30%	60.00%
Between 30 and 50	116	97	21.93%	18.34%	146	140	29.80%	28.57%
Over 50	6	11	3.85%	7.05%	10	19	7.09%	13.48%
Region								
Italy	303	215	39.61%	28.10%	221	195	32.64%	28.80%
Overseas	166	133	52.37%	41.96%	233	162	82.04%	57.04%
Total	**469**	**348**	**43.35%**	**32.26%**	**454**	**357**	**47.24%**	**37.15%**

* Ratio between the number of hires by category and the total number of employees by category at December 31, 2023.
** Ratio between the number of departures by category and the total number of employees by category at December 31, 2023.

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 2023, the Talent Acquisition team was established in order to enhance management of the hiring process and to pursue employer branding efforts to attract the best talent to the BasicNet Group.
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 Join Networks - Jobs);
- agreements with Universities, Business School and local training agencies (limited to internships);
- online recruiting (company LinkedIn channel and other online recruiting platforms).

For the selection procedure a new recruitment platform was integrated directly linked to the 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. By way of this new platform, the Talent Acquisition team is able to conduct an initial screening of candidates and present management with those that best meet their needs. To ease insertion of staff, BasicNet constantly organises a large variety of training programmes. In 2023, in Italy 68 internships began, of which 49 concluding in 2023. Of the concluding internships, employment contracts were signed with 37.

3.2 Diversity and equal opportunity

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, 2023, the total Group workforce was 37.15% male and 62.85% female, demonstrating the strong female presence at the Group. 48.89% of the total workforce are between the ages of 30 and 50, 14.42% are over the age of 50 and 36.69% are under the age of 30.

	2023				2022			
	Executives	**White-collar**	**Blue-collar**	**Total**	**Executives**	**White-collar**	**Blue-collar**	**Total**
Gender								
Male	70.97%	35.70%	56.52%	37.15%	70.97%	35.87%	50.00%	37.36%
Female	29.03%	64.30%	43.48%	62.85%	29.03%	64.13%	50.00%	62.64%
Age group								
Under 30	0.00%	37.94%	30.43%	36.69%	0.00%	35.65%	29.17%	34.34%
Between 30 and 50	45.16%	49.03%	47.83%	48.89%	45.16%	51.21%	50.00%	50.99%
Over 50	54.84%	13.04%	21.74%	14.42%	54.84%	13.13%	20.83%	14.67%
Total	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**	**100.00%**

Just as it does every year, the Group renews its commitment to its ethical values of social responsibility by hiring 20 people belonging to the so-called protected categories. At 31/12/2023, there were 31 staff (15 females and 16 males).

Staff belonging to protected categories (No.)	2023		2022	
	Male	**Female**	**Male**	**Female**
Classification				
Executives	1	-	1	-
White-collar	14	14	9	12
Blue-collar	1	1	1	2
Total	**16**	**15**	**11**	**14**

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

3.3 Training and development of human capital

As required by the Ethics Code, the Group has always been committed to the professional growth of its workers. Thus it has adopted over the years a human resources management policy designed to develop human capital and has assigned a strategic role to occupational training of its workers in this regard. In accordance with this policy, a ".com" called BasicEducation is in charge of planning, organising and reporting on the training of Group employees and promoting the development of human resources.
Training begins immediately upon hiring. In addition to their employment contract and training plan, all new hires receive: an information sheet regarding the personal data protection code (Legislative Decree No. 196 of 30/6/2003),the Group's Ethics and Conduct Code, the appointment of data processors in accordance with Regulation (EU) No. 2016/679 and Italian Legislative Decree No. 196/2003, a pamphlet on health and safety, the consent to audio and video recordings as per Article 13 of Legislative Decree 196/2003, and the rules on absences and tardiness. Independent of their assignment, the resources participate in a 4 day introduction course ("Welcome on Board"); during these first few days, new resources are given an overview of Group operations and of the business model, and are also presented the company benefits and instruments, including regarding the IT systems (e.g. the stamping system, how to request leave, absences from work, etc.).

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

2023 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 2023, the Group provided over 11,000 hours of training to its human resources, involving a total of 928 trainees. Of these hours, 16% regarded Health and Safety training (Legislative Decree No. 81/2008), whereas the remainder related to the Ethics Code[3], business model and training financed: improvement of digital skills, use of 3D, graphics and spreadsheet software, and foreign languages. These courses were undertaken with the support of funding from the "Fondimpresa" and the "Fondo Nuove Competenze".

Hours of training provided	**2023**	**2022**
Total hours of training	11,462	7,407
% of hours of training financed[4]	7%	2.80%

For 2023, the hours of training provided to interns have been separated from the total, and amount to 1,048.

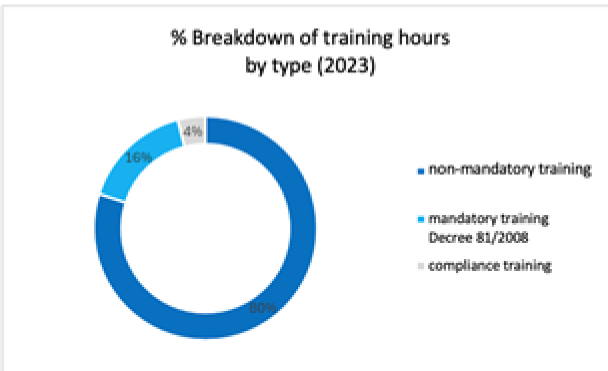
Training hours provided (interns)	**2023**	**2022**
Total hours of training	1,048	1,828

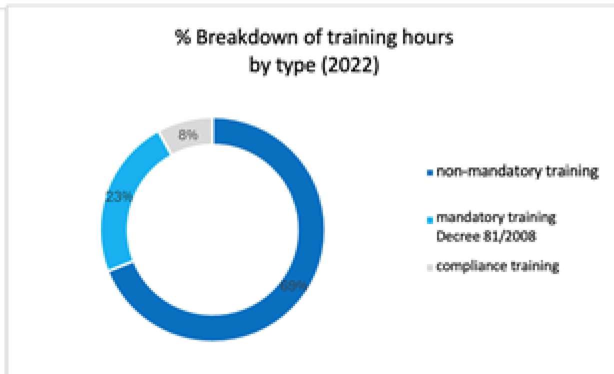
All Group employees have access to two training channels - the e-learning platform and classroom training. Support at the Group brand sales points for business model-focused and pv management training is also provided. Courses are both individual and Group-based.

Training may be broken down by type as follows: non-obligatory, obligatory related to decree 81/2008, and compliance training.

[2] The data and information regarding anti-corruption policy training is available in the "Legislative Decree No. 231/2001 Organization Model" section of the Corporate Governance and Ownership Structure Report, "Conflicts of interest and combatting corruption".
[3] The data and information regarding training on human rights policies and procedures is available in the "Legislative Decree No. 231/2001 Organization Model", "Ethics Code" section of the Corporate Governance and Ownership Structure Report.
[4] Training activities for which funding was requested from the "Fondo Interprofessionale Fondimpresa".

Training hours provided by category	2023	2022
Non-obligatory training	9,229	5,126
Obligatory decree 81/2008 training	1,800	1,682
Compliance training	433	600





Training by classification and gender		2023		2022	
		Resources trained (no.)	Average hours per capita (**)	Resources trained (no.)	Average hours per capita (*)
Executives		**32**	**2.94**	**28**	**4.20**
	Male	22	2.60	20	3.83
	Female	10	3.78	8	5.10
White-collar		**871**	**10.79**	**758**	**7.92**
	Male	266	7.69	217	6.34
	Female	605	12.50	541	8.80
Blue-collar		**25**	**12.09**	**24**	**4.33**
	Male	15	19.18	13	7.80
	Female	10	2.88	11	0.86
Total		**928**	**10.59**	**810**	**7.71**
	of which, women	625	12.25	560	8.59

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

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

In order to promote training to ensure that staff remain constantly up-to-date regarding specific operational demands, specific action areas were identified. For 2023, the upgrade programs mainly focused on digital skills development and the use of 3D software for product design, graphic design, spreadsheets, and foreign languages; for these courses, funding was requested from the Fondimpresa Interprofessional Fund and the New Skills Fund.

For employees abroad, training focused almost coursed required by applicable laws and regulations.

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

In 2023, adequate training was provided to all employees on the subject of COVID-19, the health emergency, and the behavioural protocols to be followed. The "Emergenza COVID-19 Lavoriamo Sicuri" course was maintained for all new hires joining the Group.

A total of 40 training hours were provided to 50 employees on COVID-19.

A number of training initiatives were aimed at enhancing the company experience for employees.
In September 2023, we established a second onboarding step, follow-up training for after six months with the company, which enables employees to consolidate what they learned throughout the onboarding process and to provide feedback on their experience in their first six months of employment.
In collaboration with the Turin Institute of Sports Medicine (IMSTO), BasicEducation organised a series of meetings on the topic of wellness in the workplace. The two meetings held, entitled "Proper posture at work: awareness and prevention" and "Diet and work", were led by experts in the field and offered helpful advice on how to pair work with a healthy, active lifestyle.
With regard to health and safety training, we will be transitioning to an e-learning platform with engaging, interactive content in order to stimulate greater interest in the topic.

On the issue of energy efficiency, the BasicEducation e-learning platform includes a course entitled "Energy Efficiency".

In addition to the training activities that directly involved employees during the year, the Board of Directors receives communication, when requested, with respect to the main activities in the field of Sustainability carried out by the company. Where deemed necessary, communications are conducted during training inductions. When appointed, the Boards of Directors and of Statutory Auditors receive an induction set from the Company that includes the Group's Ethics Code and the Model of Organisation and Management as per Legislative Decree 231/2001, which are also available to the public online at www.basicnet.com.
BasicNet's Supervisory Board, in concert with the Control and Risks Committee, the Board of Directors, and the Board of Statutory Auditors, provides half-yearly updates on its activities and any changes in legislation to be included in the Model. Any updates to the Model and/or the Ethics Code are to be approved by the Board of Directors.

Company welfare and well-being

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

- The "hour bank" mechanism, which permits more flexible use of overtime.
- Reversible part-time granted to female workers with young children.
- The "BasicCare" desk, where company staff can be asked to handle payments and small routine errands.
- The "BasicGym" gym facility with equipment, which organizes gymnastics courses for the Group's personnel.
- The use of the sports voucher through access to the TrainUp platform with which courses with contracted trainers can be taken.
- Free access to the BasicVillage multi-storey parking garage.
- Listening desk: intended to provide employees access to qualified psychological support following a traumatic events or an event impacting work activities. Employees can get in touch with the 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 portal of conventions and other promotions that the BasicNet Group has established with partners ensures that employees are able to access the discounts and other incentives for the purchase of goods and services. To promote green mobility and the use of sustainable vehicles, conventions have also been established with a number of vehicle-sharing companies.

An insurance policy was also provided that covers employees for injuries suffered in their personal lives when they are not at work.

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 2023, 32 resources – 30 women and 2 men – took parental leave.

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

For the 2023 reporting period, the ratio of the annual salary of the highest paid person and the median of the annual total salary of all employees is 55.4 (73.25 in 2022, thus recording a percentage decrease in the annual salary ratio of 32.02)[5].

With regard to collective bargaining agreements, the BasicNet Group applies, in Italy, the Tertiary Distribution and Services Contract, which covers around 70% of employees, i.e. the majority of the company's workforce in Italy, with the exception of 5 staff, 4 of whom are employed under the Air Transport Contract and 1 under the Journalists' Contract.

The following agreements are applied at the main companies based in France, i.e. Kappa France and K-Way France: *“Convention collective nationale de l'import-export et du commerce international”* and *“Commerce de gros et négoces connexes de bonneterie lingerie confection”*.

For the Group’s Spanish companies (i.e. Kappa Sport Iberia and K-Way Iberia), the collective bargaining agreements applied depend on the city in which the point of sale is located. The one most commonly applied, in Madrid, is the *“Convenio Colectivo Sector Comercio Textil Madrid”*.

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.

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

[5] Within the salary value of each individual employee, the following were considered: base salary, remuneration for Directors and any "one-time" bonuses. For the calculation of the denominator (median of the pay of all employees), the individual with the highest pay was excluded and considered as the nominator. The reporting boundary considered covers the entire BasicNet Group. For more information on the remuneration of the members of the Board of Directors, see the Directors’ Report in the section “Remuneration of Directors – Remuneration Committee”.

	Total remote working hours	Total workable hours	% remote working on workable hours
Italy	83,321	992,575	8.4%

3.4 Occupational health and safety

As stated in the Ethics Code, the Group has always safeguarded health and safety in the workplace for all human resources. In this regard, in fact, the Parent Company and its Italian subsidiaries have developed a "Risk Assessment Document" pursuant to Legislative Decree 81/2008 (Basic Properties America, Inc. and BasicNet Asia Ltd., Kappa France S.a.s., K-Way France S.a.s., Kappa Sport Iberia SL and K-WayRetail Suisse S.A. are not subject to the checks set out in the decree). The Group's conduct principles in terms of Health and Safety in the workplace, (hereinafter SSL), are listed in the Ethics Code and govern the conduct with which all resources, employees and external consultants are required to be compliant. The Group safeguards health and safety at places of work, developing an awareness of risks, promoting responsible conduct amongst all employees and acts to protect, particularly by preventative actions, employee health and safety. The Group's activities must be carried out in full compliance with health and safety prevention and protection legislation, whilst constantly seeking to improve health and safety conditions in the workplace.
In compliance with the training programmes, instructions and the resources provided by the employer, each employee is responsible for his/her own health and safety as well as the health and safety of other persons present in the workplace, due to the potential impact of his/her actions or omissions on these other employees.
The Group's foreign companies comply with local Health and Safety regulations.

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

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

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

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

- Emergency Manager
- Emergency officers.

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

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

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

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

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

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

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

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

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

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

At the end of every course, all participants are registered and where required an assessment test is carried out. Each resource has the option to access the BasicEducation app, and can see their own "training licence" with details of the courses taken/to be taken.
All the training courses delivered by BasicEducation are based on both legislative and individual requirements in addition to the Company's professional requirements (e.g. Legislative Decree 81 2008).

The BasicNet Group, when it allocates employees, services and supplies to contractors (under contract), is responsible for providing these parties with information on the specific risks present in the workplace where they are going to work, as well as for providing information on the applicable preventative and emergency measures related to their work in compliance with the provisions of Art. 26 of Legislative Decree 81/2008 (DUVRI). As of 2020, every external company is required to read and sign the risk information sheet (disruptive risks) found at the security desk at the BasicVillage factory outlet and in the porter's lodge at BasicItalia and BasicVillage Milano.
The BasicGuys web service tracks all accidents and incidents that arise at the company. Incidents are analysed on an annual basis and the results of these analyses are discussed during regular meetings pursuant to Article 35 of Legislative Decree 81/2008.
In 2023, there were no reports of occupational illnesses, nor were there any fatal incidents or incidents with permanent damage reported.
In 2023 there was 1 workplace accident in Italy, while there were no workplace accidents abroad.
As for outside workers (temporary staff and interns), there were no occupational injuries recorded during 2023.[6]

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

Number of accidents and accident rates 2023 – Italy	
	Total
Total accidents (No.)	**1**
serious workplace accidents (No.)	0
of which deaths at work (No.)	0
Frequency Index/Accident Rate (Injury Rate IR)	0.18
Rate of serious accidents at work (excluding deaths)	0.00
Workplace death rate	0.00
Total hours worked	1,117,639.70

Number of accidents and accident rates 2023 – Abroad	
	Total
Total accidents (No.)	**0**
serious workplace accidents (No.)	0
of which deaths at work (No.)	0
Frequency Index/Accident Rate (Injury Rate IR)	0.00
Rate of serious accidents at work (excluding deaths)	0.00
Workplace death rate	0.00
Total hours worked	167,580.80

Number of accidents and accident rates 2022 – Italy	
	Total
Total accidents (No.)	**1**
serious workplace accidents (No.)[7]	0
of which deaths at work (No.)	0
Frequency Index/Accident Rate (Injury Rate IR)[8]	0.19
Rate of serious accidents at work (excluding deaths)[9]	0.00
Workplace death rate[10]	0.00
Total hours worked	1,065,319

Number of accidents and accident rates 2022 – Abroad	
	Total
Total accidents (No.)	**2**
serious workplace accidents (nr)[3]	0
of which deaths at work (No.)	0
Frequency Index/Accident Rate (Injury Rate IR)[4]	1.62
Rate of serious accidents at work (excluding deaths)[5]	0.00
Workplace death rate[6]	0.00
Total hours worked	246,833

Throughout 2023, 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

[7] 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.
[8] 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)
[9] The serious occupational injury rate represents the ratio of the number of serious injuries excluding fatalities to total hours worked, multiplied by 200,000.
[10] The occupational fatality rate represents the ratio of the number of fatalities occurring in the workplace to total hours worked, multiplied by 200,000

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 2023 new AED (automated external defibrillator) operators were trained, and employees were brought up to date as per the applicable legislation.

Our commitment to the fight against COVID-19

During 2023, pandemic monitoring activities continued, and in relation to its development, the adopted restrictions for the prevention of COVID-19 infection were updated in full compliance with the applicable regulations and recommendations by the relevant local authorities.

4. Environmental Responsibility

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

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

4.1 Energy resource management

The energy resources analysed relate to:

- The Turin sites, i.e. the offices of the Parent Company[11] (property of the subsidiary BasicVillage S.p.A.) and those of BasicItalia S.r.l., which is now owned by BasicVillage;
- K-Way S.p.A, whose offices are located inside the BasicVillage.
- Kappa S.r.l., whose offices are located inside the BasicVillage.
- Sebago S.r.l., whose offices are located inside the BasicVillage.
- Superga S.r.l., whose offices are located inside the BasicVillage.
- BasicVillage S.p.A. headquarters in Milan.
- The French, Spanish and Swiss offices of the new Kappa France Group and Kappa Sport Iberia SL.
- The French offices of K-Way France.
- 52 Franchises[12], i.e. the stores, KappaRetail S.r.l. and K-WayRetail S.r.l., SebagoRetail S.r.l. and SupergaRetail S.r.l. located in Italy and the store in Mendrisio (Switzerland) by the company

[11] The Parent Company's relative electricity consumption also includes, for 2023, in continuity with 2022, the Corso Vigevano warehouse and the Via Padova offices in Turin (Italy).
[12] The K-Way20 and K-Way26 Olbia stores at Olbia Costa Smeralda Airport were excluded because both for size and consumption were considered not significant and because of the lack of specific data on the stores (expenses and consumption are invoiced by the Costa Smeralda Airport, without specific details).

K-WayRetail SUISSE SA. The AlloSpaccio store is included in BasicVillage's consumption as it is located on the premises, as is the Sebago2 point of sales and the offices of K-Way S.p.A, Sebago and Superga S.r.l..

- The overseas branch of BasicNet Asia Ltd. (Hong Kong, China and Ho Chi Minh, Vietnam Saigon), is less important from an energy point of view, as it only has a handful of rented premises with 25 employees.
- The company BasicAir S.r.l., which owns a second-hand Cessna Citation VII aircraft.

In relation to the offices in Turin and Milan, where 546 out of 961 employees work (50% of the Group's total workforce), the online business "BasicFacility" in recent years launched some initiatives to reduce energy consumption including:

- a programme to gradually replace neon lights with LED lights in the BasicVillage headquarters, for which the replacement of all offices and warehouses concluded in the course of 2022. It is nevertheless 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 head office, in 2020 all fluorescent bulbs were replaced with LED lighting in the offices, and half of all fluorescent bulbs in the warehouse were replaced. The remaining bulbs will be replaced with LED in 2024.
- the use of software to manage the thermal fluid installation in the BasicVillage and BasicItalia, which is constantly monitored by a web inspection system thereby controlling, managing, and implementing the functional programming of the electromechanical instruments, operating temperatures, and ATUs (Air Treatment Units) and which is capable of signalling any potential system anomaly. Depending on the type of premises involved, this monitoring system allows optimum summer and winter temperatures to be regulated for the office environments, thus reducing energy consumption and saving money;
- in 2022, the energy analysis and savings report referring to 2021 was delivered; the next analysis is scheduled for 2027 related to energy consumption in 2026;
- the use of IT devices such as printers and photocopiers with automatic settings providing standby modes for certain periods of inactivity, as well as employees switching off their computers at the end of the day. According to the research undertaken on energy consumption and respect for the environment, the Group requests that its users, where possible and as per standard procedures, turn off their PC's and monitors at the end of the working day. This research is supported also by European Union data, which through the "Energy Star" platform introduced a dynamic calculation system which (Hardware features and average usage) can establish the annual energy consumption of PC's in kWh terms.

With regard to the energy resources used internally within the Group, all the stores and the Turin and Milan offices purchase their energy directly from the grid, but only the two Turin headquarters use respectively natural gas (BasicVillage headquarters) and oil (BasicItalia and BasicVillage headquarters) to heat their premises. It should be noted that in 2023, total electric energy consumption decreased by 17% compared to 2022, whereby the consumption of natural gas decreased by 19%, and the use of oil for heating increased by 19% (the figure was calculated based on the total purchases of oil in 2023). However, given what is left in the tanks (roughly 40%), we can state that there was not an actual increase in the consumption of diesel fuel for heating in 2023 and that the trend is in line with previous years. The percentage change is related to the consumption of natural gas in response to climate factors (i.e. a warmer winter). The decrease in electricity consumption in 2023 is due to multiple factors. At BasicVillage's offices in Turin, the average-consumption meter at the power plant has been calibrated, and the temperature in the refrigeration units was raised from +7°C to +10°C. At BasicItalia's offices, the diesel burners have been eliminated; a great many employees have been moved to other offices, and a number of servers have been eliminated from the server room. 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 rented vehicles. This share has seen an increase in gasoline consumption of

11% and a smaller increase of 4% in diesel consumption. In addition, there are more gasoline vehicles than diesel vehicles in 2023.
The share of greenhouse gases from electricity supplied from the grid (indirect emissions - Scope 2) decreased by 11% for the Location-based approach and 9% according to the Market-based approach. On the other hand, direct emissions generated directly within the Group from the use of heating and vehicle fuels (direct emissions - Scope 1) decreased 5% on 2022.
i. The changes in CO_2 emissions data between 2023 and 2022 can be attributed to an increase in the Group's energy consumption (vehicles).

Internal and external energy consumption for the BasicNet Group in 2023 and 2022

Energy sources	**2023**	**2022**	**Change %**
	Internal energy consumption[13]		
Electrical energy purchased from the grid	5,170,187 kWh *(18,613 GJ)*	6,202,388 kWh *(22,329 GJ)*	%-17%
Heating			
Natural gas	234.454smc *(8,313 GJ)*	289.336smc *(10,224 GJ)*	-19%
Diesel	15,000 litres *(534 GJ)*	12,650 litres *(456 GJ)*	19%
Vehicles			
Petrol for vehicles	20,721 litres *(666 GJ)*	18,658 litres *(597 GJ)*	11%
Diesel for vehicles	80,522 litres *(2,872 GJ)*	77,168 litres *(2,783 GJ)*	4%
Aviation[14]			
Aviation turbine fuel	153 tonnes *(7,095 GJ)*	150 tonnes *(6,924 GJ)*	2%
Total internal energy consumption	**38,093 GJ**	**43,312 GJ**	**-12%**

[13] For the 2023 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 2023" table) and by the Department for Environment, Food & Rural Affairs ("Conversion factors 2023: full set (for advanced users) - update June 2023").
14 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 29% of the aircraft's flight hours can be attributed to third parties.

CO_2 emissions of the BasicNet Group, 2023 and 2022

CO_2 emissions (ton CO_2)[15]	**2023**	**2022**	**Change %**
Scope 1 emissions[16]	1,254	1,329	-6%
Due to heating	509	603	-16%
Due to vehicles	262	249	5%
Due to aviation	483	476	1%
Scope 2 emissions[17]			
Location-based Approach	1,525	1,697	-10%
Market-based Approach	2,223	2,408	-8%

4.2 Waste management

As the Group does not have its own internal production activity, the main waste produced by the Group's activities come under the conventional categories of typical office-waste: paper and cardboard, photocopier and printing toners, batteries and plastics. All waste products are collected and sent to recycling operators, according to the procedures and time frames of current legislation and based on waste categories: while paper and cardboard, plastic, and batteries are collected and sent to the recovery chain (43,547 kg of waste of non-hazardous waste and 46 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.

2023 saw a decrease in the total waste produced despite the expansion of the Group consolidation scope. This change was due in part to the continued use of smartworking within the Group in 2023, although to a lesser extent than in 2022.
More specifically, plastic consumption remained unchanged, while toner consumption decreased by 10% and paper and cardboard consumption decreased by 18%.
Hazardous waste decreased by 88% as it is linked to the operation of equipment which, 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 (in 2023 there were few replacements).

[15] For calculations of Scope 1 and Scope 2 emissions, only CO_2 emissions were taken into account. This is because the effect of methane and nitrous oxide on total greenhouse gas emissions (CO_2 equivalents) is negligible, as stated in the related technical literature.
[16] For the 2022 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 2022" table) and by the Department for Environment, Food & Rural Affairs ("Conversion factors 2022: full set (for advanced users) - revised January 2022").
[17] The reporting standard used (GRI sustainability reporting standards 2021) establishes two different calculation methods for Scope 2 emissions: "Location-based " and "Market-based ". The location-based method requires the use of the average national emission factor related to the specific national energy mix used to produce electricity (Source: Terna, International Comparisons 2019). The market-based approach uses an emission factor based on the contractual agreement for the provision of electricity. Given the absence of specific electricity agreements between the companies of the Group and the suppliers (e.g. a Guarantee of Origin purchase), for this calculation an emission factor based on the national "residual mix" was used (Source: Association of Issuing Bodies, European Residual Mixes 2022; Terna, Confronti Internazionali 2019).

BasicNet Group waste products, year 2023 and 2022[18]

Type of waste (KG)	2023	2022	Change %
Non-hazardous waste			
Paper and cardboard	42,023	51,490	-18%
Toner	116	130	-11%
Plastic	1,408	1,409	0%
Total non-hazardous waste	**43,547**	**53,029**	**-18%**
Hazardous waste			
Batteries	46	392	**-88%**
Total hazardous waste	**46**	**392**	**-88%**
Total waste	**43,593**	**53,421**	**-18%**

5. EU Taxonomy

The BasicNet Group during 2023, in line with previous years, 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. The four remaining environmental goals were integrated on June 27, 2023, with the adoption of Delegated Regulation (EU) 2023/2486 of the European Commission.

With publication of this delegated regulation, disclosure related to the European taxonomy for the 2023 tax year concerns all environmental goals:

- climate change mitigation;
- climate change adaptation;
- sustainable use and protection of water and marine resources;
- transition to a circular economy;
- pollution prevention and control;
- protection and restoration of biodiversity and ecosystems.

For the first two objectives, in accordance with applicable rules, the Group will announce in 2023 the proportion of "eligible" economic activities, and subsequently whether they are "aligned" or "not aligned" with the taxonomy for total revenue, capex and opex. As concerns the last four objectives, the Group will only disclose the proportion to total revenue, capex and opex of economic activities that are eligible or not for the taxonomy.

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

[18] 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.

for fulfilling reporting requirements that may come into effect, which could impact future EU taxonomy reporting. Over the coming years, in response to potential future changes in laws and regulations (such as the Corporate Sustainability Reporting Directive, which is being transposed), and as has been done in the past, we will be implementing a more detailed analysis process of the taxonomy-reported activities regarding BasicNet's business.

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), i.e., those activities that contribute to the formation of turnover, being core business, but also extended to those activities that contribute to the formation of capex and opex, as required by law.

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

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

Annex

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

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

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

GRI Content Index

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

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

satisfaction			consumers; Franchisees	

Material topics	GRI Standards aspects	Correlation to themes referred to in Legislative Decree 254/2016	Boundary	Type of impact
Management and development of human resources	- GRI 401: Employment (2016) - GRI 404: Training and education (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
Diversity and equal opportunity	- GRI 405: Diversity and equal opportunity (2016) - GRI 406: Non-Discrimination (2016)	Related to personnel	BasicNet Group; Group resources; Franchisees; PAs, government and oversight bodies	Caused by the Group
Employee well-being and satisfaction	- GRI 401: Employment (2016)	Related to personnel	BasicNet Group; Group Resources; Franchisees	Caused by the Group
Employee Health and Safety	- GRI 403: Occupational Health and Safety (2018)	Related to personnel	BasicNet Group; Group resources; Suppliers; Sourcing Centers; Licensees; Franchisees	Caused by the Group; Related to Group activities
Human Rights	n/a	Human rights	BasicNet Group; Group resources; Suppliers; Sourcing Center; Licensees; Franchisees; PAs, government and oversight bodies	Related to Group activities
Protection of ecosystems and efficient use of resources	- GRI 302: Energy (2016)	Environmental	BasicNet Group; Public Sector, government and control bodies; local communities and society	Caused by the Group
Climate change adaptation and mitigation	- GRI 305: Emissions (2016)	Environmental	BasicNet Group; Public Sector, government and control bodies; local communities	Caused by the Group
Waste management and circularity	- GRI 306: Waste (2020)	Environmental	BasicNet Group; PA, government and control bodies; local communities, Group Resources	Caused by the Group

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

Declaration of use	The BasicNet Group presented this report in accordance with the GRI Standards for the period from January 1, 2023 to December 31, 2023.
Use GRI 1	GRI 1 - Foundation - 2021

GRI-Standards		**Page**	**Notes/Omissions**[19]
GRI 2 GENERAL DISCLOSURE			
The organization and its reporting practices			
2-1	Organizational details	6-10, 11	
2-2	Entities included in the organization's sustainability reporting	62-64	
2-3	Reporting period, frequency and contact point	62-64	
2-4	Restatements of information	62-64	
2-5	External assurance	104-107	
Activities and workers			
2-6	Activities, value chain and other business relationships	10-17, 60, 63, 72-75	
2-7	Employees	78-80	
2-8	Workers who are not employees	78-80	
Governance			
2-9	Governance structure and composition	2, 31-32, 34-47	
2-10	Nomination and selection of the highest governance body	38	
2-11	Chair of the highest governance body	2, 39, 41-43, 51-52	
2-12	Role of the highest governance body in overseeing the management of impacts	40-43, 48	
2-13	Delegation of responsibility for managing impacts	46-48, 53	
2-14	Role of the highest governance body in sustainability reporting	47, 63	
2-15	Conflicts of interests	51-52	
2-16	Communication of critical concerns	48-50	
2-17	Collective knowledge of the highest governance body	39-40, 83	

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

2-18	Evaluation of the performance of the highest governance body	48	
2-19	Remuneration policies	44-46	
2-20	Process to determine remuneration	44-46	
2-21	Annual total compensation ratio	84	
Strategy, policies and practices			
2-22	Statement on sustainable development strategy	4-5	
2-23	Privacy commitments	46-52, 75-77	
2-24	Embedding policy commitments	40, 44-52 , 75-77	
2-25	Processes to remediate negative impacts	19-22, 46-50, 65-68, 71-75, 77-78, 83-91, 95.96	
2-26	Mechanisms for seeking advice and raising concerns	49, 77-78	
2-27	Compliance with laws and regulations	22-24	
2-28	Membership associations	64	
Stakeholder engagement			
2-29	Approach to stakeholder engagement	64-66	
2-30	Collective bargaining agreements	83-85	
Information on material topics			
3-1	Process to determine material topics	62-66	
3-2	List of material topics	62-64, 66, 95-96	
SPECIFIC STANDARD DISCLOSURES			
Business ethics and Compliance			
GRI 3: Managerial approach			
3-3	Management of material topics	46-52, 65-66, 95-96	
GRI 206: Anti-competitive conduct (2016)			
206-1	Legal actions for anti-competitive behaviour, anti-trust, and monopoly practices	100	As for 2022, during 2023 no legal actions for anti-competitive behaviour, anti-trust, and monopoly practices were reported.
GRI 3: Managerial approach			
3-3	Management of material topics	22-24, 65-66, 71-72 95-96	
GRI 207: Tax (2019)			
207-1	Approach to tax	71-72	
207-2	Tax governance, control and risk management	22-24, 71-72	
207-3	Stakeholder engagement and management of concerns related to tax	22-24, 71-72	
207-4	Country-by-country reporting	100	**Information not available** For the year 2023, the Company does not report the

			information as required by GRI 207-4, for reasons related to the reporting and internal control process of the data with the level of detail required for each tax jurisdiction. Therefore, the Company is committed to sourcing the data and information necessary to cover the disclosures for future reporting years.
Combatting corruption			
GRI 3: Managerial approach			
3-3	Management of material topics	46-52, 65-66, 95-96	
GRI 205: Anti-corruption (2016)			
205-2	Communication and training about anti-corruption policies and procedures	48-52	
Promotion of economic development			
GRI 3: Managerial approach			
3-3	Management of material topics	65-71, 95-96	
GRI 203: Indirect economic impacts (2016)			
203-2	Significant indirect economic impacts	66-71	
Responsible and transparent procurement			
GRI 3: Managerial approach			
3-3	Management of material topics	65-67, 72-75, 95-96	
GRI 414: Assessment of suppliers according to social criteria (2016)			
414-1	New suppliers that were screened using social criteria	67, 72-75	
Data Security and Protection			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 75-77, 95-96	
GRI 418: Customer privacy (2016)			
418-1	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	101	As for 2022, during 2023 no complaints against privacy violation were received.
Quality products and the fight against counterfeiting			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 77-78, 95-96	
GRI 417: Marketing and labelling (2016)			
417-1	Requirements for product and service information and labelling	77-78	
Management and development of human resources			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 81-85, 95-96	
GRI 404: Training and education (2016)			
404-1	Average hours of training per	82	

	year per employee		
404-2	Programs for upgrading employee skills and transition assistance programs	81-85	
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 78-80, 83 85, 95-96	
GRI 401: Employment (2016)			
401-1	New employee hires and employee turnover	9	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	83-85	
Diversity and equal opportunity			
GRI 3: Managerial approach			
3-3	Management of material topics	39-40, 65-66, 80, 95-96	
GRI 405: Diversity and equal opportunity (2016)			
405-1	Diversity of governance bodies and employees	39-40, 80	
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 80, 95-96	
GRI 406: Non-Discrimination (2016)			
406-1	Incidents of discrimination and corrective actions taken	102	As in 2022, there were no reported instances of discrimination within the Group during the year 2023.
Employee well-being and satisfaction			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 78-80, 83-85, 95-96	
GRI 401: Employment (2016)			
401-1	New employee hires and employee turnover	79	
401-2	Benefits provided to full-time employees that are not provided to temporary or part-time employees	83-85	
Employee Health and Safety			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 85-89, 95-96	
GRI 403: Occupational Health and Safety (2018)			
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	81-82, 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	
Energy			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 89-91, 95-96	
GRI 302: Energy (2016)			
302-1	Energy consumption within the organization	89-91	
Emissions			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 89-91, 95-96	
GRI 305: Emissions (2016)			
305-1	Direct (Scope 1) GHG emissions	89-92	
305-2	Energy indirect (Scope 2) GHG emissions	89-92	
Waste			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 89, 92-93, 95-96	
GRI 306: Waste (2020)			
306-1	Waste generation and significant waste-related impacts	92-93	
306-2	Management of significant waste-related impacts	92-93	
306-3	Waste generated	93	
R&D and Innovation			
GRI 3: Managerial approach			
3-3	Management of material topics	26-27, 65-66, 95-96	
Customer engagement and satisfaction			
GRI 3: Managerial approach			
3-3	Management of material topics	65-66, 72-78, 95-96	
Human Rights			
GRI 3: Managerial approach			
3-3	Management of material topics	48-51, 65-71, 80-85, 95-96	

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Independent auditors' report on the consolidated disclosure of non-financial information in accordance with Article 3, par. 10, of Legislative Decree 254/2016 and with Article 5 of CONSOB Regulation adopted with Resolution n. 20267 of January 18, 2018

(Translation from the original Italian text)

To the Board of Directors of
BasicNet S.p.A.

We have been appointed to perform a limited assurance engagement pursuant to Article 3, paragraph 10, of Legislative Decree 30 December 2016, n. 254 (hereinafter "Decree") and article 5, paragraph 1. g) of CONSOB Regulation adopted with Resolution 20267/2018, on the consolidated disclosure of non-financial information of BasicNet S.p.A. and its subsidiaries (hereinafter the "Group" or "BasicNet Group") for the year ended on December 31, 2023 in accordance with article 4 of the Decree, presented in the specific section of the Management Report and approved by the Board of Directors on March 8, 2024 (hereinafter "DNF").
Our limited assurance engagement does not cover the information included in the paragraph "5. EU Taxonomy" of the DNF, that are required by art.8 of the European Regulation 2020/852.

Responsibilities of Directors and Board of Statutory Auditors for the DNF

The Directors are responsible for the preparation of the DNF in accordance with the requirements of articles 3 and 4 of the Decree and the "Global Reporting Initiative Sustainability Reporting Standards" defined by GRI – Global Reporting Initiative (hereinafter "GRI Standards"), identified by them as a reporting standard.

The Directors are also responsible, within the terms provided by law, for that part of internal control that they consider necessary in order to allow the preparation of the DNF that is free from material misstatements caused by fraud or not intentional behaviors or events.

The Directors are also responsible for identifying the contents of the DNF within the matters mentioned in article 3, par. 1, of the Decree, considering the business and the characteristics of the Group and to the extent deemed necessary to ensure the understanding of the Group's business, its performance, its results and its impact.

The Directors are also responsible for defining the Group's management and organization business model, as well as with reference to the matters identified and reported in the DNF, for the policies applied by the Group and for identifying and managing the risks generated or incurred by the Group.

The Board of Statutory Auditors is responsible, within the terms provided by the law, for overseeing the compliance with the requirements of the Decree.

Auditors’ independence and quality control

We are independent in accordance with the ethics and independence principles of the *International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA Code)* issued by *International Ethics Standards Board for Accountants*, based on fundamental principles of integrity, objectivity, professional competence and diligence, confidentiality and professional behavior. Our audit firm applies the International Standard on Quality Control 1 (ISQC Italia 1) and, as a result, maintains a quality control system that includes documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable laws and regulations.

Auditors’ responsibility

It is our responsibility to express, on the basis of the procedures performed, a conclusion about the compliance of the DNF with the requirements of the Decree and of the GRI Standards. Our work has been performed in accordance with the principle of "International Standard on Assurance Engagements ISAE 3000 (Revised) - Assurance Engagements Other than Audits or Reviews of Historical Financial Information" (hereinafter "ISAE 3000 Revised"), issued by the International Auditing and Assurance Standards Board (IAASB) for limited assurance engagements. This principle requires the planning and execution of work in order to obtain a limited assurance that the DNF is free from material misstatements. Therefore, the extent of work performed in our examination was lower than that required for a full examination according to the ISAE 3000 Revised ("reasonable assurance engagement") and, hence, it does not provide assurance that we have become aware of all significant matters and events that would be identified during a reasonable assurance engagement.

The procedures performed on the DNF were based on our professional judgment and included inquiries, primarily with company’s personnel responsible for the preparation of the information included in the DNF, documents analysis, recalculations and other procedures in order to obtain evidences considered appropriate.

In particular, we have performed the following procedures:

1. analysis of the relevant matters in relation to the activities and characteristics of the Group reported in the DNF, in order to assess the reasonableness of the selection process applied in accordance with the provisions of article 3 of the Decree and considering the reporting standard applied;
2. analysis and evaluation of the criteria for identifying the consolidation area, in order to evaluate its compliance with the provisions of the Decree;
3. comparison of the economic and financial data and information included in the DNF with those included in the BasicNet Group's consolidated financial statements;
4. understanding of the following aspects:
   - Group's management and organization business model, with reference to the management of the matters indicated in the article 3 of the Decree;
   - policies adopted by the Group related to the matters indicated in the article 3 of the Decree, results achieved and related key performance indicators;
   - main risks, generated or suffered related to the matters indicated in the article 3 of the Decree.

   With regard to these aspects, we obtained the documentation supporting the information contained in the DNF and performed the procedures described in item 5. a) below.

5. understanding of the processes that lead to the generation, detection and management of significant qualitative and quantitative information included in the DNF.
   In particular, we have conducted interviews and discussions with the management of BasicNet S.p.A. and we have performed limited documentary evidence procedures, in order to collect information about the processes and procedures that support the collection, aggregation, processing and transmission of non-financial data and information to the management responsible for the preparation of the DNF.

   Furthermore, for significant information, considering the Group activities and characteristics:

   - at Group level
     a) with reference to the qualitative information included in the DNF, and in particular to the business model, policies implemented and main risks, we carried out inquiries and acquired supporting documentation to verify its consistency with the available evidence;
     b) with reference to quantitative information, we have performed both analytical procedures and limited assurance procedures to ascertain on a sample basis the correct aggregation of data.

   - for the companies BasicNet S.p.A. and Kappa France S.a.s., that we have selected based on their activities, relevance to the consolidated performance indicators and location, we have carried out in site and remote interviews during which we have had discussions with management and have obtained evidence about the appropriate application of the procedures and the calculation methods used to determine the indicators.

Conclusion

Based on the procedures performed, nothing has come to our attention that causes us to believe that the DNF of the BasicNet Group for the year ended on December 31, 2023 has not been prepared, in all material aspects, in accordance with the requirements of articles 3 and 4 of the Decree and the GRI Standards.

Our conclusions on the DNF of the BasicNet Group do not refer to the information included in the paragraph “5. EU Taxonomy” of the DNF itself, that are required by art.8 of the European Regulation 2020/852.

Turin, March 22, 2024

EY S.p.A.
Signed by: Stefania Boschetti, Auditor

This report has been translated into the English language solely for the convenience of international readers.

FINANCIAL STATEMENTS

EXPLANATORY NOTES OF THE BASICNET GROUP

AT DECEMBER 31, 2023

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)	***Note***	**FY 2023**		**FY 2022**		**Changes**	
			%		**%**		**%**
Consolidated direct sales	*(8)*	332,758	*100.00*	312,711	*100.00*	20,048	*6.41*
Cost of sales	*(9)*	(187,407)	*(56.32)*	(188,537)	*(60.29)*	1,130	*0.60*
GROSS MARGIN		**145,351**	***43.68***	**124,174**	***39.71***	**21,177**	***17.05***
Royalties and sourcing commissions	*(10)*	62,273	*18.71*	72,305	*23.12*	(10,032)	*(13.87)*
Other income	*(11)*	10,888	*3.27*	7,954	*2.54*	2,934	*36.89*
Sponsorship and media costs	*(12)*	(39,214)	*(11.78)*	(35,013)	*(11.20)*	(4,201)	*(12.00)*
Personnel costs	*(13)*	(45,074)	*(13.55)*	(38,301)	*(12.25)*	(6,773)	*(17.68)*
Selling, general and administrative costs, royalties expenses	*(14)*	(76,087)	*(22.87)*	(70,187)	*(22.44)*	(5,900)	*(8.41)*
Amortisation & depreciation	*(15)*	(17,039)	*(5.12)*	(14,821)	*(4.74)*	(2,218)	*(14.97)*
EBIT		**41,099**	***12.35***	**46,111**	***14.75***	**(5,012)**	***(10.87)***
Net financial income (charges)	*(16)*	(8,483)	*(2.55)*	(2,785)	*(0.89)*	(5,699)	*n.a.*
Management of equity investments	*(17)*	(21)	*(0.01)*	(6)	*(0.00)*	(14)	*0.00*
PROFIT BEFORE TAXES		**32,595**	***9.80***	**43,320**	***13.85***	**(10,726)**	***(24.76)***
Income taxes	*(18)*	(8,218)	*(2.47)*	(13,283)	*(4.25)*	5,064	*38.13*
NET PROFIT FOR THE YEAR		**24,376**	***7.33***	**30,037**	***9.61***	**(5,661)**	***(18.85)***
Earnings per share:	*(19)*						
– **basic**		**0.4912**		**0.5994**		**(0.108)**	***(18.05)***
– **diluted**		**0.4912**		**0.5994**		**(0.108)**	***(18.05)***

CONSOLIDATED COMPREHENSIVE INCOME STATEMENT

(Euro thousands)	***Note***	**December 31, 2023**	**December 31, 2022**	**Changes**
Profit for the period (A)		**24,376**	**30,037**	**(5,661)**
Profit/(loss) from previous years (B)		**595**	**-**	**595**
Effective portion of the gains/(losses) on cash flow hedges		2,703	(3,598)	6,301
Remeasurement of the agents indemnity provision (IAS 37) (*)		248	-	248
Re-measurement of post-employment benefits (IAS 19) (*)		173	431	(257)
Gains/(losses) from translation of accounts of foreign subsidiaries		(238)	315	(553)
Tax effect on other profits/(losses)		(728)	767	(1,496)
Total other gains/(losses), net of tax effect (C)	*(33)*	**2,158**	**(2,085)**	**4,243**
Total Comprehensive Profit (A)+(B)+(C)		**27,129**	**27,952**	**(1,418)**

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

BASICNET GROUP CONSOLIDATED BALANCE SHEET

(Euro thousands)	*Note*	December 31, 2023	December 31, 2022
Intangible assets	*(20)*	69,290	67,479
Rights-of-use	*(21)*	35,900	29,911
Goodwill	*(22)*	43,206	41,853
Property, plant and equipment	*(23)*	55,371	56,503
Equity invest. & other financial assets	*(24)*	955	794
Interests in joint ventures	*(25)*	182	184
Deferred tax assets	*(26)*	8,203	7,727
Total non-current assets		**213,108**	**204,451**
Net inventories	*(27)*	112,239	124,983
Trade receivables	*(28)*	76,329	80,887
Other current assets	*(29)*	14,686	9,852
Prepayments	*(30)*	11,499	12,454
Cash and cash equivalents	*(31)*	31,962	19,476
Derivative financial instruments	*(32)*	930	1,011
Total current assets		**247,644**	**248,663**
TOTAL ASSETS		**460,752**	**453,114**

(Euro thousands)	*Note*	December 31, 2023	December 31, 2022
Share capital		31,717	31,717
Reserve for treasury shares in portfolio		(16,442)	(13,955)
Other reserves		125,137	101,347
Net Profit		24,376	30,037
TOTAL SHAREHOLDERS' EQUITY	*(33)*	**164,787**	**149,146**
Provisions for risks and charges	*(34)*	4,337	1,792
Loans	*(35)*	39,214	52,014
Payables for rights-of-use	*(37)*	36,778	30,734
Other financial payables	*(38)*	8,146	9,749
Employee and Director benefits	*(39)*	3,870	3,279
Deferred tax liabilities	*(40)*	7,690	7,004
Other non-current liabilities	*(41)*	2,225	1,976
Total non-current liabilities		**102,259**	**106,548**
Bank payables	*(36)*	85,351	61,338
Trade payables	*(42)*	76,959	100,074
Tax payables	*(43)*	7,788	9,737
Other current liabilities	*(44)*	13,284	17,069
Accrued expenses	*(45)*	10,055	6,148
Derivative financial instruments	*(46)*	270	3,054
Total current liabilities		**193,706**	**197,420**
TOTAL LIABILITIES		**295,965**	**303,968**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**460,752**	**453,114**

CONSOLIDATED CASH FLOW STATEMENT OF THE BASICNET GROUP

(Euro thousands)	**December 31, 2023**	**December 31, 2022**
A) OPENING SHORT-TERM NET BANK DEBT	**(26,438)**	**6,325**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	24,376	30,037
Amortisation & depreciation	17,039	14,821
Management of equity investments	21	6
Changes in working capital:		
(Increase) decrease in trade receivables	4,558	(26,254)
(Increase) decrease in inventories	12,744	(55,741)
(Increase) decrease in other receivables	(5,022)	3,560
. Increase (decrease) in trade payables	(22,573)	29,799
. Increase (decrease) in other payables	8,132	1,843
Net changes in employee and director benefits	592	(1,624)
Others, net	(286)	82
	39,582	**(3,471)**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Investments in fixed assets:		
- tangible assets	(4,054)	(4,044)
- intangible assets	(6,853)	(13,346)
- financial assets	(159)	-
- acquisition K-Way France	(7,343)	(11,886)
Realisable value for fixed asset disposals:		
- tangible assets	-	-
- intangible assets	54	-
- financial assets	-	-
	(18,355)	**(29,275)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
New medium/long term loans	900	31,500
Loan repayments	(14,790)	(12,066)
Repayment of loans for rights-of-use	(8,470)	(6,822)
Acquisition of treasury shares	(2,488)	(6,537)
Dividend payments	(8,999)	(6,093)
	(33,847)	**(17)**
E) CASH FLOW IN THE YEAR	**(12,620)**	**(32,763)**
F) CLOSING SHORT-TERM NET BANK DEBT	**(39,059)**	**(26,438)**

Interest paid for the year amounts to respectively Euro 4.6 million in 2023 and Euro 1.5 million in 2022, while income taxes paid in the year amount respectively to Euro 8.4 million in 2023 and Euro 3.8 million in 2022.

STATEMENT OF CHANGES IN CONSOLIDATED SHAREHOLDERS' EQUITY

			Reserves						
(Euro thousands)	**Share Capital**	**Treas. shares**	**Reserves & Retained earnings**	**Translation reserve**	**Remeasure. reserve IAS 19**	**IAS37 Reserve**	**Cash flow hedge reserve**	**Result**	**Total Group Shareholders' Equity**
Balance at December 31, 2021	**31,717**	**(30,648)**	**110,428**	**1,167**	**(352)**	**-**	**1,180**	**20,330**	**133,822**
Allocation of result as per Shareholders' AGM resolution of 13/4/2022									
- Reserves & Retained earnings		-	14,237	-	-	-	-	(14,237)	**-**
- Dividends distributed		-	-	-	-	-	-	(6,093)	**(6,093)**
Acquisition of treasury shares		(6,537)	-	-	-	-	-	-	**(6,537)**
Cancellation of treasury shares		23. 230	(23,230)	-	-	-	-	-	**-**
2022 Result		-	-	-	-	-	-	30,037	**30,037**
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	315	-	-	-	-	**315**
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	327	-	-	-	**327**
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	(2,727)	-	**(2,727)**
Total comprehensive income		-	-	*315*	*327*	-	*(2,727)*	*30,037*	*27,952*
Balance at December 31, 2022	**31,717**	**(13,955)**	**101,435**	**1,483**	**(25)**	**-**	**(1,546)**	**30,037**	**149,146**
Allocation of result as per Shareholders' AGM resolution of 13/04/2023									
- Reserves & Retained earnings		-	21,038	-	-	-	-	(21,038)	**-**
- Dividends distributed		-	-	-	-	-	-	(8,999)	**(8,999)**
Acquisition of treasury shares		(2,488)	-	-	-	-	-	-	**(2,488)**
Retained earnings		-	595	-	-	-	-	-	**595**
2023 Result		-	-	-	-	-	-	24,376	**24,376**
Consolidation change		-	-	-	-	-	-	-	**-**
Other comprehensive income items:									
- Gains/(losses) recorded directly to translation reserve		-	-	(238)	-	-	-	-	**(238)**
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	159	-	-	-	**159**
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	-	2,049	-	**2,049**
- Gains/(losses) recorded directly to IFRS 37 reserve		-	-	-	-	188	-	-	**188**
Total comprehensive income		-	*595*	*(238)*	*159*	*188*	*2,049*	*24,376*	*27,129*
Balance at December 31st, 2023	**31,717**	**(16,442)**	**123,068**	**1,245**	**134**	**188**	**503**	**24,376**	**164,787**

CONSOLIDATED NET FINANCIAL POSITION

(Euro thousands)	**December 31, 2023**	**December 31, 2022**
Cash and cash equivalents	31,962	19,476
Bank overdrafts and bills	(43,832)	(5,977)
Import advances	(27,189)	(39,938)
Sub-total net liquidity available	*(39,059)*	*(26,439)*
Short-term portion of medium/long-term loans	(14,330)	(15,423)
Payables for the purchase of equity investments	(1,592)	(7,332)
Short-term net financial position	**(54,982)**	**(49,194)**
Medium/long term loans	(39,136)	(51,756)
Payables for rights-of-use	(36,778)	(30,734)
Payables for purchase of equity investments beyond one year	(8,146)	(9,749)
Finance lease payables	(77)	(259)
Sub-total loans and leasing	*(84,138)*	*(92,498)*
Consolidated Net Financial Position	**(139,119)**	**(141,691)**

The following table shows the composition of the Group's net debt as of December 31, 2023 and December 31, 2022, 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.

(Euro thousands)		**December 31, 2023**	**December 31, 2022**
A.	Cash	208	168
B.	Other cash equivalents	31,754	19,308
C.	Securities held for trading	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**31,962**	**19,476**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank payables	(72,613)	(45,915)
G.	Current portion of non-current debt	(14,330)	(15,423)
H.	Other current financial payables	-	-
I.	**Current financial debt (F)+(G)+(H)**	**(86,943)**	**(61,338)**
J.	**Net current financial debt (I)-(E)-(D)**	**(54,982)**	**(41,862)**
K.	Non-current bank payables	(84,138)	(99,829)
L.	Bonds issued	-	-
M.	Other non-current financial payables	660	(2,044)
No.	Trade payables and other non-current payables	-	-
O.	**Non-current financial debt (K) + (L) + (M) + (N)**	**(83,478)**	**(101,873)**
P.	**Net financial debt (J) + (O)**	**(138,460)**	**(143,734)**

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 32 and 46).

CHANGES IN NET FINANCIAL POSITION

(Euro thousands)	**December 31, 2023**	**December 31, 2022**
A) OPENING NET FINANCIAL POSITION	**(141,691)**	**(61,743)**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	24,376	30,037
Amortisation & depreciation	17,039	14,821
Management of equity investments	21	6
Changes in working capital	(4,851)	(46,793)
Net changes in employee and director benefits	592	(1,624)
Others, net	(287)	82
	39,582	**(3,471)**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset investments	(10,907)	(17,390)
Acquisition K-Way France	-	(40,987)
Acquisition of financial assets	(159)	-
Realisable value for fixed asset disposals	54	-
	(11,012)	**(58,377)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
Registration payables for Right-of-use	(14,511)	(5,471)
Acquisition of treasury shares	(2,488)	(6,537)
Dividend payments	(8,999)	(6,093)
	(25,998)	**(18,100)**
E) CASH FLOW IN THE YEAR	**2,571**	**(79,948)**
F) CLOSING NET FINANCIAL POSITION	**(139,119)**	**(141,691)**

EXPLANATORY NOTES

1. GENERAL INFORMATION

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

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

The publication of the consolidated financial statements of BasicNet as at December 31, 2023 was approved by the Board of Directors on March 8, 2024.

2. FORM AND CONTENT

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

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

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

The Group consolidated financial statements include the financial statements at December 31, 2023 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, 2023 are the same as those utilised for the previous year, with the exception of the adoption of new standards and amendments from January 1, 2023. 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, 2023

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a complete new standard relating to insurance contracts which covers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation; some exceptions apply with regards to the scope of application.

The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects.

IFRS 17 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

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

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities should use valuation techniques and inputs to develop accounting estimates.

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

Disclosure of Accounting policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply judgements to accounting policy disclosures.

The amendments aim to assist entities provide information on Group accounting policies,

- replacing the requirement for entities to provide their "significant" accounting policies with a requirement to provide disclosures about their "material" accounting policies; in
- addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.

The changes had an impact on the Group's disclosure of accounting policies, but not on the measurement, recognition and presentation of items in the Group's consolidated financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

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

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 were introduced to respond to the OECD BEPS Pillar Two rules and include:

- a temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes resulting from the implementation in jurisdictions of the Pillar Two rules; and
- disclosure requirements for affected entities to help financial statement users better understand the income tax impacts arising from this legislation, particularly before the effective date.

The temporary mandatory exemption - whose use is required to be disclosed - is immediately applicable. The remaining disclosure requirements apply for fiscal years beginning on or after January 1, 2023, but not for interim periods prior to December 31, 2023.

The change has no effect on the consolidated financial statements in that the Group is not affected by the Pillar Two rules, given that revenues are below Euro 750 million annually.

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, 2023 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 2023**		**FY 2022**	
	Average	**At year end**	**Average**	**At year end**
US Dollar	1.1050	1.0829	1.0483	1.0666
HK Dollar	8.6314	8.4802	8.2100	8.3163
Japanese Yen	156.3300	153.1758	137.2988	140.6600
UK Sterling	0.8691	0.8688	0.8534	0.8869
Swiss Franc	0.9260	0.9717	1.0009	0.9847
Vietnamese Dong	26,808	25,851	22,515	25,183

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, 2023 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, 2023, 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 rare recognised when the control of the goods and services is transferred to the client for an amount which reflects the consideration that the Group expects to receive in exchange for these goods and services. The Group has concluded that generally it acts as the Principal for the agreements from which it receives revenues, as usually it controls the goods and services before their transfer to the customer. In calculating the sales transaction price for goods, the Group considers the effects from variable fees, significant financial components and non-monetary fees. Where the fee concluded in the contract includes a variable amount, such as that connected to a right of return, the Group estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the customer.

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

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

Recognition of costs and expenses

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

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

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

Interest income and expenses, and income and charges

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

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

Translation of balances in foreign currencies

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

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

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

Income taxes

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

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

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

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

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

Earnings per share/ Diluted earnings per share

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

The diluted earnings per share is calculated dividing the profit or loss attributable to the shareholders of the Parent Company by the average weighted number of shares outstanding, taking into account the effects of all the potential ordinary shares with dilution effects. In 2023, 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 52) unless the probability of payment is remote. In accordance with paragraph 10 of *IAS 37 – Provisions, contingent liabilities and contingent assets* a contingent liability is (a) a possible obligation which derives from past events and whose existence will be confirmed only on the occurrence or otherwise of one or more future uncertain events, not entirely under the control of the enterprise, or (b) a current obligation which derives from past events but which cannot be recorded in the financial statements as the payment is improbable or cannot be reliably estimated.

Use of estimates

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

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

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

Intangible assets

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

Software development

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

Concessions, brands and similar rights

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

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

The patent rights are amortised over ten years.

Other intangible assets

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

Business combinations

Business combinations are recognised according to the acquisition method.

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

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

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

Goodwill

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 assets 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 or directly.

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

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

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

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

For the years beyond the Plan a terminal value is estimated applying the perpetual yield model to the cash flows of the final year. The growth rate utilised in the calculation of the terminal value, in accordance with the provisions of paragraph 36 of IAS 36, reflect the growth trend for the demand of clothing goods (i.e.

clothes and footwear) at international level. In line with the most common valuation practices adopted, in the calculation of the terminal value the changes in the net working capital are assumed as zero and the investments equal to depreciation.

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

Write-back of value

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

Investments

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

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

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

Net inventories

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

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

Financial Instruments

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

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

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

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

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

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

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

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

- the financial asset is held within a business model whose objective is achieved both through the collection of contractual cash flows and the sale of the financial assets; and

- the contractual terms of the financial assets establish, at certain dates, cash flows represented entirely by the payment of capital and of interest on the amount of capital to be repaid.

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

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

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

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

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

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

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

Trade receivables

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

Cash and cash equivalents

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

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

Prepayments and accrued income

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

Treasury shares

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

Provisions for risks and charges

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

Employee benefits

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

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

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

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

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

Payables

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

Cash flow hedges and accounting of relative operations

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

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

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

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

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

After their initial recognition, they are accounted as follows:

a) Fair value hedges

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

b) Cash flow hedges

The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement.
The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

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

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

Fair value

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

Hierarchy of Fair Value according to IFRS 7

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

The IFRS 7 classification implies the following hierarchy:

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

6. OTHER INFORMATION

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

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

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

7. DISCLOSURE BY OPERATING SEGMENT

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

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

It is recalled that during the year, the BasicNet Group completed the corporate reorganisation of the brands, in order to concentrate in a single company for each brand all operations, both license management and of the direct sales channels. This transaction will allow for greater focus on each brand in the BasicNet portfolio.

(In Euro thousands)

December 31, 2023	Clothing, footwear and accessories	Property	Inter-segment eliminations	Financial Statements
Direct sales – third parties	332,758	-	-	332,758
(Cost of sales)	(187,407)	-	-	(187,407)
GROSS MARGIN	**145,351**	**-**	**-**	**145,351**
Royalties and sourcing commissions – third parties	62,273	-	-	62,273
Other income - third parties	9,145	5,917	(4,174)	10,888
(Sponsorship and media costs)	(39,214)	-	-	(39,214)
(Personnel costs)	(44,966)	(108)	-	(45,074)
(Selling, general and administrative costs, royalties expenses)	(74,345)	(2,980)	1,239	(76,087)
Amortisation & depreciation	(17,260)	(2,561)	2,783	(17,039)
EBIT	**40,984**	**268**	**(152)**	**41,099**
Financial income	7,750	16	158	7,924
(Financial charges)	(15,772)	(636)	-	(16,407)
Share of profit/(loss) of investments	(21)	-	-	(21)
PROFIT/(LOSS) BEFORE TAXES	**32,941**	**(352)**	**6**	**32,595**
Income taxes	(8,262)	43	1	(8,218)
NET PROFIT/(LOSS) FOR THE YEAR	**24,680**	**(310)**	**7**	**24,376**
Significant non-cash items:				
Income from right-of-use	-	-	-	-
Amortisation & depreciation	(17,260)	(2,561)	2,783	(17,039)
Write-downs	-	-	-	-
Total non-cash items	(17,260)	(2,561)	2,783	(17,039)
Segment assets and liabilities:				
Assets	416,799	49,159	(5,205)	460,752
Liabilities	264,032	40,614	(8,680)	295,965

(In Euro thousands)

December 31, 2022	**Clothing, footwear and accessories**	**Property**	**Inter-segment eliminations**	**Financial Statements**
Direct sales – third parties	312,711	-	-	312,711
(Cost of sales)	(188,537)	-	-	(188,537)
GROSS MARGIN	**124,174**	**-**	**-**	**124,174**
Royalties and sourcing commissions – third parties	72,305	-	-	72,305
Other income - third parties	6,701	5,759	(4,506)	7,954
(Sponsorship and media costs)	(35,013)	-	-	(35,013)
(Personnel costs)	(38,253)	(48)	-	(38,301)
(Selling, general and administrative costs, royalties expenses)	(68,291)	(3,572)	1,677	(70,187)
Amortisation & depreciation	(15,515)	(2,028)	2,723	(14,821)
EBIT	**46,107**	**111**	**(107)**	**46,111**
Financial income	6,640	4	-	6,644
(Financial charges)	(9,217)	(342)	130	(9,429)
Share of profit/(loss) of investments	(6)	-	-	(6)
PROFIT/(LOSS) BEFORE TAXES	**43,524**	**(228)**	**24**	**43,320**
Income taxes	(13,237)	(48)	2	(13,283)
NET PROFIT/(LOSS)	**30,288**	**(276)**	**26**	**30,037**
Significant non-cash items:				
Income from right-of-use	-	-	-	-
Amortisation & depreciation	(15,515)	(2,028)	2,723	(14,821)
Write-downs	-	-	-	-
Total non-cash items	(15,515)	(2,028)	2,723	(14,821)
Segment assets and liabilities:				
Assets	412,751	47,702	(7,339)	453,114
Liabilities	286,517	38,336	(20,885)	303,968

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

- the "Clothing, footwear and accessories" segment reports net royalties and sourcing commissions of Euro 62.3 million in 2023, compared to Euro 72.3 million in the previous year. Direct sales are also reported of Euro 332.8 million, compared to sales in the previous year of Euro 312.7 million, thanks also to the inclusion in the consolidation scope of K-Way France for the entire period compared to 9 months in 2022. The contribution margin on sales was Euro 145.4 million, compared to Euro 124.2 million in 2022. The revenue margin was 43.7% (39.7% in 2022). The cost of labour increased compared to the same period of the previous year due to the opening of new direct points of sale as part of the retail expansion and to the strengthening of the Group's workforce through new hires in strategic positions. The segment reports a profit of Euro 24.7 million compared to Euro 30.3 million in the previous year;
- the "Property" segment reports a loss of Euro 310 thousand, compared to a loss of Euro 276 thousand in 2022. The performance for the year includes the contribution of the Milan BasicVillage, whose restructuring works concluded in the year.

EXPLANATORY NOTES TO THE INCOME STATEMENT

8. CONSOLIDATED DIRECT SALES

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

	FY 2023	FY 2022
Sales Italy	207,902	198,547
EU countries other than Italy	115,352	104,156
Rest of the World	9,505	10,008
Total consolidated direct sales	**332,758**	**312,711**

Sales revenues concern the finished product sales of the Group companies through the wholesale, retail (both direct and through franchising) and online channels (Euro 331.3 million) and for the sale of samples (Euro 1.5 million). Sales on the home market accounted for 62.5%, while approx. 34.7% of sales were in other EU countries, with the remaining approx. 2.9% outside the EU.

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

	FY 2023	FY 2022
Multibrand sales	222,714	219,525
Franchising sales	91,980	79,790
Online sales	16,583	12,406
Sample sales	1,481	989
Total consolidated direct sales	**332,758**	**312,711**

9. COST OF SALES

	FY 2023	FY 2022
Goods purchased – Overseas	136,267	182,408
Freight charges and accessory purchasing cost	14,322	36,458
Cost of outsourced logistics	11,190	9,379
Goods purchased – Italy	8,214	7,482
Samples purchased	3,075	3,576
Packaging	1,087	1,798
Change in inventory of raw materials, ancillary, consumables and goods	12,744	(55,744)
Other	508	3,180
Total cost of sales	**187,407**	**188,537**

"Goods purchased" concern the finished products acquired by the Group companies for distribution in their respective territories. The account decreased from the previous year due to extraordinary level of procurements during the prior year and to efforts to optimize inventories during the year under review.

Sample purchases were made by for resale to the licensees.

10. 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 2023	FY 2022
Europe (EU and non-EU)	24,382	24,515
The Americas	11,508	13,447
Asia and Oceania	19,789	27,534
Middle East and Africa	6,593	6,809
Total	**62,273**	**72,305**

11. OTHER INCOME

	FY 2023	FY 2022
Prior year income	3,589	2,486
Signing fees from commercial licensees	851	863
Income and chargebacks from aircraft	814	1,091
Rental income	1,002	653
Income from promo sales	833	237
Recovery of condominium expenses	216	275
Other income	3,581	2,349
Total other income	**10,888**	**7,954**

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

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

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.

12. SPONSORSHIP AND MEDIA COSTS

	FY 2023	FY 2022
Sponsorship and marketing	29,168	27,210
Advertising	7,543	6,086
Promotional expenses	2,503	1,717
Total sponsorship and media costs	**39,214**	**35,013**

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

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

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

13. PERSONNEL COSTS

	FY 2023	FY 2022
Wages and salaries	32,442	27,416
Social security charges	10,751	8,627
Post-employment benefits	1,881	1,349
Company welfare	-	909
Total	**45,074**	**38,301**

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 2023 was 1,041, broken down as 37 executives, 966 white-collar and 38 blue-collar employees, an increase of 65 resources on the previous year.

The increase mainly concerns the personnel employed at the new sales points, new strategic commercial and marketing resources, in addition to the change in the scope following the consolidation for 12 months of K-Way France.

14. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

	FY 2023	FY 2022
Selling and royalty service expenses	19,480	16,908
Rental, accessory and utility expenses	10,856	10,552
Commercial expenses	12,877	11,333
Directors and Statutory Auditors emoluments	4,703	5,216
Doubtful debt provision	5,477	3,115
Professional consultants	6,119	5,555
Bank charges	2,098	2,108
Insurance	1,509	1,676
Hire	1,628	1,575
Taxes and duties	1,846	1,600
Extraordinary charges	855	760
Costs related to Human Resources	1,381	1,088
Purchase of consumables, stationery and printed material	1,208	662
Other transport costs	334	492
Company expenses	363	333
Other general expenses	5,354	7,215
Total selling, general and administrative costs, and royalties expenses	**76,087**	**70,187**

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

"Directors and Statutory Auditors emoluments", for offices held at the date of the present Report, approved by the Shareholders' AGM and the Board of Directors' meetings of April 13, 2022, are in line with the company remuneration policy, pursuant to Article 78 of Consob Regulation No. 11971/99 and subsequent amendments and supplements, and are reported in the Remuneration Report pursuant to Article 123-ter of the CFA, which is available on the company's website www.basicnet.com Shareholder' Meeting 2024 section, to which reference should be made.

The increase in the doubtful debt provision from the previous year concerns a limited number of specific licensees experiencing financial difficulties, which led to delays in payment.

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

15. AMORTISATION & DEPRECIATION

	FY 2023	FY 2022
Intangible assets	3,689	3,160
Rights-of-use	8,108	6,932
Property, plant and equipment	5,242	4,729
Total amortisation & depreciation	**17,039**	**14,821**

Amortisation of intangible assets includes approx. 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.

Provided below is a summary of total charges related to right-of-use assets:

	FY 2023	FY 2022
Depreciation for right-of-use	8,108	6,932
Interest on payables for right-of-use	575	540
Leasing and rental costs excluded from IFRS 16	2,636	2,064
Total rent, lease and hire costs	**11,319**	**9,536**

16. NET FINANCIAL INCOME/(CHARGES)

	FY 2023	FY 2022
Interest income	106	132
Bank interest charges	(2,105)	(232)
Interest on medium/long term loans	(1,758)	(788)
Property lease interest	(11)	(8)
Interest IFRS 16	(575)	(540)
Loan and current account fees	(264)	(241)
IAS 19 interest	-	(33)
Other	(562)	(307)
Total financial income and charges	***(5,169)***	***(2,017)***
Exchange gains	4,448	6,498
Exchange losses	(7,762)	(7,266)
Net exchange gains/(losses)	***(3,314)***	***(768)***
Total financial income/(charges)	**(8,483)**	**(2,785)**

Net currency losses amounted to Euro 3.3 thousand, against losses of Euro 768 thousand for the same period of the previous year, as a result of trends in the US dollar and related hedging instruments obtained during the previous year; net financial charges servicing debt amounted to Euro 5.2 million compared to Euro 2 million in the previous year due to the generalised rise in interest rates and a greater average level of debt for the Group during the year.

“Others" includes approximately Euro 325 thousand financial discounts and rebates mainly on the French and English markets.

17. 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..

18. INCOME TAXES

The balance of income taxes comprises current taxes for Euro 8.2 million (of which Euro 1.8 million for IRAP), the release of deferred taxes from previous years and the assessment of deferred taxes emerging in the year for Euro 821 thousand and Euro 1.7 million regarding the positive effects from the application of the “Patent Box”, in addition to prior year taxes and other minor items for Euro 1.5 million.

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

The reconciliation between the theoretical and actual rate is shown below:

	2023	**2022**
Profit before taxes	32,594	43,320
Income tax rate	24%	24%
THEORETICAL IRES	**(7,823)**	**(10,403)**
Effect of differences between Italian and foreign tax rates	126	(426)
Permanent tax differences effect	(1,317)	(882)
Prior year taxes	(570)	(145)
Patent Box benefit	1,645	2,342
IRAP	(1,819)	(2,467)
Failure to record DTA on losses	-	(538)
Utilisation prior year losses Kappa France	1,730	-
Recognition deferred tax assets on prior year losses Kappa France	1,110	-
WHT Reversal	(739)	(951)
Other changes	562	186
EFFECTIVE TAX CHARGE	**(8,218)**	**(13,283)**
Effective tax rate	-25.2%	-30.7%
TOTAL EFFECTIVE TAX CHARGE	**(8,218)**	**(13,283)**

19. EARNINGS PER SHARE

The basic earnings per share, for 2023, is calculated dividing the net result attributable to the shareholders of the Group by the weighted average number of ordinary shares outstanding during the year:

(in Euro)	**FY 2023**	**FY 2022**
Net profit	24,376,285	30,037,369
Weighted average number of ordinary shares	49,626,500	50,112,500
Basic earnings per ordinary share	0.4912	0.5994

At December 31, 2023, 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 2023 and 2022 relates to the number of treasury shares acquired in the year.

EXPLANATORY NOTES TO THE BALANCE SHEET

20. INTANGIBLE ASSETS

	December 31, 2023	December 31, 2022	Changes
Concessions, brands and similar rights	59,772	59,745	27
Software development	5,087	4,741	347
Other intangible assets	4,384	2,918	1,466
Industrial patents	47	75	(28)
Total intangible assets	**69,290**	**67,479**	**1,812**

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands & and similar rights	Software development	Other intangible assets	Industrial patents	Total
Historic cost at 1.1.2022	**71,616**	**49,976**	**11,656**	**887**	**134,136**
Initial balance from acquisition	-	29	863	-	892
Investments	667	2,534	724	-	3,927
Disposals & other changes	24	55	(5)	(55)	19
Historic cost As at 31.12.2022	**72,307**	**52,594**	**13,238**	**833**	**138,972**
Investments	381	2,701	2,345	6	5,434
Disposals & other changes	(43)	(15)	-	-	(58)
Historic cost as at 31.12.2023	**72,645**	**55,281**	**15,583**	**839**	**144,348**

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands & and similar rights	Software development	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2022	**(12,323)**	**(45,609)**	**(9,714)**	**(741)**	**(68,387)**
Initial balance from acquisition	-	(17)	-	-	(17)
Amortisation	(239)	(2,234)	(607)	(17)	(3,096)
Disposals and other changes	-	6	-	-	6
Acc. Amort. As at 31.12.2022	**(12,562)**	**(47,854)**	**(10,320)**	**(758)**	**(71,494)**
Amortisation	(354)	(2,372)	(879)	(17)	(3,622)
Disposals and other changes	43	33	-	(18)	58
Acc. Amort. as at 31.12.2023	**(12,873)**	**(50,193)**	**(11,199)**	**(793)**	**(75,058)**

The net book value of intangible assets is reported below:

	Concessions, brands & and similar rights	Software development	Other intangible assets	Industrial patents	Total
Closing net book value at 1.1.2022	**59,292**	**4,367**	**1,942**	**147**	**65,748**
Initial balance from acquisition	-	13	863	-	875
Investments	667	2,534	724	-	3,927
Disposals and other changes	24	61	(5)	(55)	25
Amortisation	(239)	(2,234)	(607)	(17)	(3,096)
Closing net book value at 31.12.2022	**59,745**	**4,741**	**2,918**	**75**	**67,479**
Investments	381	2,701	2,345	6	5,434
Disposals and other changes	-	18	-	(18)	-
Amortisation	(354)	(2,372)	(879)	(17)	(3,622)
Closing net book value at 31.12.2023	**59,772**	**5,087**	**4,384**	**47**	**69,290**

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, 2023, the Kappa and Robe di Kappa brands report a book value of Euro 15.3 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, 2023 in application of the provisions of IAS 36 on impairment testing, the Group has conducted all the checks on any permanent impairment of corporate brands and related CGU’s.

For the purposes of the impairment test of the BasicNet Group at consolidated level, the CGU’s were identified as the brands of the company.

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

The verification of the reduction in the loss in value (impairment test) of the indefinite useful life assets, among which brands and goodwill, allocated to each CGU was carried out comparing the carrying amount with the respective recoverable value. The recoverable value was determined discounting the expected net cash flows allocated to each CGU (value in use). The key assumptions utilised for the calculation principally refer to:

- the estimate of the future net cash flows of each CGU is based on the plans approved by the Board of Directors and on reasonable and sustainable assumptions, with respect to future and historical cash flows;
- the terminal value, equal to the value of the cash flows at the end of the explicit time period, is calculated assuming a perpetual growth rate of 2.0% (1.50% in 2022);
- the discounting of the weighed average cost of capital (WACC) of 9.40% (11.10% in 2022).

Following the impairment test no write-down is required of the book value of the brands or the goodwill. The value in use of the CGUs thus determined are significantly higher than their carrying amount: in particular, the sensitivity analyses carried out against this backdrop confirmed the full recoverability of the values even in the event of significant reductions in expected cash flows or a significant increase in discount rates. Similarly, the development of alternative scenarios involving an increase in the principal production sources, reflecting the current degree of uncertainty about future economic prospects, also revealed the presence of significant headroom for all CGUs.

The account "software development" increased approx. Euro 2.7 million for investments and decreased Euro 2.4 million for amortisation in the year.

The account "other intangible assets" principally includes improvements related to the franchising project and recorded investments of Euro 2.3 million and amortisation of Euro 0.9 million.

21. 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").

	December 31, 2023	December 31, 2022	Changes
Rights-of-use	35,900	29,911	5,989
Total right-of-use	**35,900**	**29,911**	**5,989**

The changes in the original cost of the right-of-use were as follows:

	2023	2022
Historical cost at 01.01	**60,223**	**50,704**
Initial balance from acquisition	-	8,025
Investments and increases ISTAT	14,584	4,405
Disposals and other changes	(487)	(2,911)
Historical cost at 31.12	**74,321**	**60,223**

The changes in the relative accumulated depreciation provisions were as follows:

	2023	2022
Accum. Deprec. at 01.01	**(30,314)**	**(27,585)**
Depreciation	(8,108)	(6,932)
Disposals and other changes	-	4,203
Accum. Deprec. at 31.12	**(38,421)**	**(30,314)**

The movements in the net book value of the right-of-use is shown below:

	2023	2022
Net book value at 01.01	**29,910**	**23,119**
Initial balance from acquisition	-	8,025
Investments and increases ISTAT	14,584	4,405
Disposals and other changes	(487)	1,293
Depreciation	(8,108)	(6,932)
Net book value at 31.12	**35,900**	**29,911**

22. GOODWILL

	December 31, 2023	December 31, 2022	Changes
Goodwill	43,206	41,853	1,353
Goodwill	**43,206**	**41,853**	**1,353**

"Goodwill" includes:

- the goodwill from the initial consolidation of K-Way France (Euro 24.5 million);
- the goodwill arising on the business combination with the Spanish licensee (Euro 6.7 million) and the French licensee (Euro 1.2 million), of the Kappa brand;
- the goodwill following the acquisition of the French Group Kappa France (Euro 3.4 million);
- the amounts paid to acquire retail businesses for Euro 7.3 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 20 on the checks carried out as at December 31, 2023.

23. PROPERTY, PLANT AND EQUIPMENT

	December 31, 2023	December 31, 2022	Changes
Property	39,240	40,930	(1,691)
Furniture and other assets	10,906	9,706	1,200
Plant & machinery	3,479	3,787	(308)
EDP	1,546	1,888	(342)
Industrial & commercial equipment	200	191	9
Total property, plant and equipment	**55,371**	**56,503**	**(1,132)**

The changes in the historical cost of property, plant and equipment were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Historic cost at 1.1.2022	**55,827**	**24,939**	**3,205**	**17,278**	**1,273**	**102,522**
Initial balance from acquisition	-	962	-	73	-	1,035
Additions	7,850	2,737	1,354	1,057	81	13,080
Disposals and other changes	(2,110)	(601)	2,080	(247)	-	(878)
Historic cost As at 31.12.2022	**61,567**	**28,037**	**6,639**	**18,161**	**1,355**	**115,759**
Additions	155	2,817	417	599	67	4,054
Disposals and other changes	(28)	131	(106)	(308)	(2)	(315)
Historic cost as at 31.12.2023	**61,693**	**30,985**	**6,950**	**18,452**	**1,419**	**119,499**

The changes in the relative accumulated depreciation provisions were as follows:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Acc. Deprec. at 1.1.2022	**(19,316)**	**(16,885)**	**(2,417)**	**(15,526)**	**(1,101)**	**(55,246)**
Initial balance from acquisition	-	(341)	-	(46)	-	(387)
Depreciation	(1,488)	(1,449)	(467)	(875)	(62)	(4,341)
Disposals and other changes	167	343	32	175	-	718
Acc. Deprec. As at 31.12.2022	**(20,637)**	**(18,332)**	**(2,852)**	**(16,273)**	**(1,163)**	**(59,257)**
Depreciation	(1,817)	(1,843)	(623)	(902)	(57)	(5,242)
Disposals and other changes	-	98	-	268	2	368
Acc. Deprec. as at 31.12.2023	**(22,453)**	**(20,077)**	**(3,475)**	**(16,907)**	**(1,218)**	**(64,130)**

The net book value of property, plant and equipment was as follow:

	Property	Furniture and other assets	Plant & machinery	EDP	Industrial and commercial equipment	Total
Net book value at 1.1.2022	**36,510**	**8,055**	**787**	**1,752**	**171**	**47,276**
Initial balance from acquisition	-	962	-	73	-	1,035
Additions	7,850	2,737	1,354	1,057	81	13,080
Depreciation	(1,488)	(1,449)	(467)	(875)	(62)	(4,341)
Disposals and other changes	(1,942)	(258)	2,112	(72)	-	(160)
Net book value at 31.12.2022	**40,930**	**9,706**	**3,787**	**1,888**	**191**	**56,502**
Additions	155	2,817	417	599	67	4,054
Depreciation	(1,817)	(1,843)	(623)	(902)	(57)	(5,242)
Disposals and other changes	(28)	226	(102)	(38)	-	57
Net book value at 31.12.2023	**39,240**	**10,906**	**3,479**	**1,546**	**200**	**55,371**

"Property" includes the value of the buildings at Strada della Cebrosa 106, Turin, headquarters of BasicItalia S.r.l. and at Largo Maurizio Vitale 1, Turin, headquarters of the Parent Company, adjacent buildings owned by Basic Village S.p.A. acquired in late 2016, and the property complex at Via dell'Aprica, No. 12 in Milan, owned by Aprica Costruzione S.r.l, Milan, a company which was acquired in January 2020, and merged into Basic Village S.p.A. in July 2020, to which the property at C.so Regio Parco, 33, Turin, was added, acquired in 2022.

Total gross investments in the period amounted to Euro 4.0 million, principally relating to the acquisition of furniture and EDP for the opening of new stores.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2023	Net value at December 31, 2022
Furniture and other assets	457	763
EDP	50	90
Plant	7	10
Transport vehicles	8	24
Total	**522**	**887**

24. EQUITY INVESTMENTS AND OTHER FINANCIAL ASSETS

	December 31, 2023	December 31, 2022	Changes
Other receivables, guarantees	955	794	161
Total financial receivables	955	794	161
Total investments & other financial assets	**955**	**794**	**161**

"Other receivables, guarantees" principally refer to deposits on real estate property.

25. INTERESTS IN JOINT VENTURES

	December 31, 2023	December 31, 2022	Changes
Investments in:			
- Joint ventures	182	184	(2)
Total investments in joint ventures	**182**	**184**	**(2)**

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.

26. DEFERRED TAX ASSETS

	December 31, 2023	December 31, 2022	Changes
Deferred tax assets	8,203	7,727	476
Total deferred tax assets	**8,203**	**7,727**	**476**

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, 2023			December 31, 2022		
	Translation differences	**Rate % (*)**	**Tax effect**	**Temporary differences**	**Rate % (*)**	**Tax effect**
Deferred tax assets:						
- Excess doubtful debt provision not deductible	(18,145)	24.2%	(4,384)	(15,862)	24.1%	(3,819)
- Inventory obsolescence provision	(3,300)	28.2%	(929)	(3,214)	27.2%	(873)
- Prudent exchange differences, net	(110)	24.0%	(26)	(28)	24.0%	(7)
- Misc. charges temporarily non-deductible	(1,767)	25.2%	(445)	(1,346)	25.1%	(338)
- Effect IFRS 16 - lease payables	(396)	28.5%	(113)	(656)	27.9%	(183)
Total	**(23,718)**		**(5,898)**	**(21,104)**		**(5,219)**
Deferred tax liabilities:						
- Amortisation/Depreciation tax basis	16,052	27.8%	4,468	11,790	27.9%	3,289
- Statutory-tax difference on amortisation, depreciation, and valuations	12,403	28.1%	3,484	13,286	28.1%	3,730
- Effect IAS 19 – Employee Benefits	60	22.0%	13	(118)	27.1%	(32)
- Effect IFRS 39 - financial instruments	660	24.5%	162	(2,044)	24.1%	(493)
- Effect IAS 37 – agents indemnity provision	248	24.0%	59	-		-
- Effect IAS 38 – plant costs	-		-	18	27.9%	5
- Amort. goodwill and other sundry	384	27.9%	107	683	30.4%	208
Total	**29,806**		**8,294**	**23,614**		**6,706**
Losses carried forward	(13,054)	25.0%	(3,269)	(8,688)	25.4%	(2,210)
Undistributed profits/reserves	30,000	1.2%	360	-		-
Deferred tax liabilities (asset) net	**(5,466)**		**(513)**	**(6,179)**		**(722)**
Of which:						
Deferred tax assets			8,203			7,727
Deferred tax liabilities			7,690			7,004

(*) 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 4.4 million) and non-deductible inventory obsolescence provisions (approx. Euro 0.9 million), in addition to Euro 3.3 million of unlimited loss carry forwards for Kappa Europe Group, recognised on the expected recoverability with the French tax consolidation as per Note 50.

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 4.5 million), differences between statutory and fiscal amortisation (Euro 3.5 million) and goodwill amortisation fiscally deductible (Euro 107 thousand).

The Group also recognises deferred tax liabilities on temporary differences generated by undistributed earnings of subsidiaries, where it anticipates that such earnings will be subject to distribution in the foreseeable future (Euro 360 thousand). The increase for the period relates entirely to K-Way France's profit reserves, the distribution of which is governed by the earnout agreement covering the three-year period 2023-25.

27. NET INVENTORIES

	December 31, 2023	December 31, 2022	Changes
Raw materials, ancillaries and consumables	71	85	(15)
Finished products and goods	116,551	128,541	(11,990)
Inventory obsolescence provision	(4,382)	(3,643)	(739)
Total net inventories	**112,239**	**124,983**	**(12,744)**

Finished inventories include goods in transit at the balance sheet date which at December 31, 2023 amount to approx. Euro 22.1 million compared to Euro 31.8 million at December 31, 2022, goods held at Group brand stores for Euro 12.1 million, compared to Euro 7.3 million at December 31, 2022 and goods to be shipped against orders, to be delivered at the beginning of the following period, for Euro 7.3 million compared to Euro 7.6 million at December 31, 2022.

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:

	2023	2022
Inventory obsolescence provision at 01.01	**3,643**	**4,970**
Provisions in the period	2,558	1,243
Utilisations	(1,819)	(2,570)
Inventory obsolescence provision at 31.12	**4,382**	**3,643**

28. TRADE RECEIVABLES

	December 31, 2023	December 31, 2022	Changes
Gross value	98,573	100,415	(1,841)
Doubtful debt provision	(22,245)	(19,528)	(2,717)
Total trade receivables	**76,329**	**80,887**	**(4,558)**

"Trade receivables" refer for Euro 69.8 million to goods sold by proprietary licensees compared to Euro 55.4 million at December 31, 2022 against which a doubtful debt provision was recorded of Euro 9.6 million (Euro 9.2 million at December 31, 2022) and for Euro 27.7 million to royalties and sourcing commissions (Euro 44.5 million at December 31, 2022) against which a doubtful debt provision was recorded of Euro 12.5 million (Euro 10.1 million at December 31, 2022).

The receivables are aligned with their expected realisable value through a doubtful debt provision based on estimated losses on all trade receivables and includes a component calculated on specific disputed and/or past-due positions and a residual component calculated by a statistical approach.

The movements during the year were as follows:

	2023	2022
Doubtful debt provision at 01.01	**19,528**	**17,949**
Provisions in the year	5,477	3,115
Utilisations	(1,090)	(1,536)
Release	(1,670)	-
Doubtful debt provision at 31.12	**22,245**	**19,528**

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 estimation of expected losses also based on statistical and parametric elements. Overdue receivables not written down are generally recovered in the period immediately after the maturity date and in any case are subject to specific recoverability evaluations.

29. OTHER CURRENT ASSETS

	December 31, 2023	December 31, 2022	Changes
Tax receivables	11,039	6,643	4,396
Other receivables	3,647	3,209	438
Total other current assets	**14,686**	**9,852**	**4,834**

Current “tax receivables” principally relate to withholding taxes on royalties for Euro 4.6 million, VAT receivables for Euro 2.9 million, IRES and IRAP receivables of Euro 0.8 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 13, 2022, on the indication of the Shareholders’ AGM and the proposal of the Remuneration Committee and with the favourable opinion of the Board of Statutory Auditors, on conclusion of his role for Euro 1.0 million.

30. PREPAYMENTS

	December 31, 2023	December 31, 2022	Changes
Expenses pertaining to future collections	1,116	3,351	(2,235)
Sponsorship and media	3,437	4,495	(1,058)
Other	6,946	4,608	2,338
Total prepayments	**11,499**	**12,454**	**(955)**

The “expenses pertaining to future collections” include the costs relating to new Collections to be brought to the market, as well as presentations costs for the relative sales meetings.

The “sponsorship costs” relate to the annual amount contractually defined by the parties, which is partially invoiced in advance during the sports season, compared to the timing of the services.

The “other prepayments” include various costs for samples, services, utilities, insurance and other minor amounts incurred by the companies of the Group.

31. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022	Changes
Bank and postal deposits	31,754	19,308	12,446
Cash in hand and similar	208	168	40
Total cash and cash equivalents	**31,962**	**19,476**	**12,486**

“Bank deposits” refer to temporary current account balances principally due to receipts from clients. In particular, they are held at: K-Way France S.a.s. (Euro 15.3 million), companies of the Kappa France Group (Euro 6.2 million), Kappa S.r.l. (Euro 2.3 million), K-Way S.p.A. (Euro 2 million), BasicNet S.p.A. (Euro 1.5 million), Kappa Sport Iberia S.L. (0.9 million), Basic Properties America, Inc. (Euro 0.8 million), BasicItalia S.r.l. (Euro 0.4 million), K-WayRetail S.r.l. (Euro 0.7 million) and for the difference at the other Group companies (Euro 1.5 million).

32. DERIVATIVE FINANCIAL INSTRUMENTS

	December 31, 2023	December 31, 2022	Changes
Derivative financial instruments	930	1,011	(81)
Total	**930**	**1,011**	**(81)**

Reference should be made to Note 46 below for further details.

33. SHAREHOLDERS’ EQUITY

	December 31, 2023	December 31, 2022	Changes
Share capital	31,717	31,717	-
Treasury shares	(16,442)	(13,955)	(2,488)
Other reserves	125,137	101,347	23,789
Net Profit	24,376	30,037	(5,661)
Total Shareholders’ Equity	**164,787**	**149,146**	**15,641**

The “share capital” of the Parent Company, amounting to Euro 31,716,673.04, is divided into 54,000,000 fully paid-in ordinary shares without par value.

In April, as approved by the Shareholders’ Meeting of BasicNet S.p.A. of April 13, 2023, in relation to the allocation of the 2022 net profit, a dividend of Euro 0.18 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 9 million.

During the year 486,000 treasury shares were acquired in accordance with Shareholders’ Meetings motions, which together with the 3,887,500 shares held at the end of the previous year, totalled 4,373,500 at December 31, 2023 (8.1% of the Share Capital).

The account “other reserves” comprises:

- the “cash flow hedge reserve”, positive for Euro 0.5 million, changed in the year due to the fair value measurement of cash flow hedges held at December 31, 2023;
- the “re-measurement reserve for defined benefit plans (IAS 19)”, positive for Euro 134 thousand, refers to the changes in the actuarial gains/losses (“re-measurement”). The valuation is shown net of the tax effect;
- the “*re-measurement reserve for employee defined benefit plans (IAS 37*)” refers to the changes in the actuarial gains/losses (“*re-measurement*”). The valuation is shown net of the tax effect. This reserve, a positive Euro 188 thousand, is unavailable;
- 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;
- the “retained earnings” amounting to Euro 123.7 million, an increase of Euro 22.2 million compared to the end of the previous year. This change follows an increase of Euro 21 million in retained earnings from the previous year.

The reconciliation at December 31, 2023 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, 2023	**December 31, 2022**	**Changes**
Effective part of the Gains/(losses) on cash flow instruments generated in the period (currency hedges)	2,476	(3,390)	5,866
Effective part of the Gains/(losses) on cash flow instruments generated in the period (interest rate hedges)	227	(208)	436
Effective part of the Gains/losses on cash flow hedge instruments	**2,703**	**(3,598)**	**6,301**
Remeasurement of the agents indemnity provision (IAS37) (*)	248	-	248
Re-measurement of defined benefit plans (IAS 19) (*)	173	431	(257)
Gains/(losses) from translation of accounts of foreign subsidiaries	(238)	315	(553)
Tax effect relating to the Other items of the comprehensive income statement	(728)	767	(1,496)
Total other gains/(losses), net of tax effect	**2,158**	**(2,085)**	**4,243**

(*) 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, 2023			December 31, 2022		
	Gross value	**Tax effect**	**Net value**	**Gross value**	**Tax effect**	**Net value**
Effective part of Gains/losses on cash flow hedge instruments	2,476	(600)	1,876	(3,390)	820	(2,569)
Effective part of the Gains/(losses) on cash flow instruments generated in the year (interest rate hedges)	227	(55)	173	(208)	50	(158)
Remeasurement of the agents indemnity provision (IAS37) (*)	248	(59)	188	-	-	-
Remeasurement gains/(losses) Employee defined benefit plans (IAS 19) (*)	173	(15)	158	431	(103)	327
Gains/(losses) from translation of accounts of foreign subsidiaries	(238)	-	(238)	315	-	315
Total other gains/(losses), net of tax effect	**2,886**	**(728)**	**2,158**	**(2,852)**	**767**	**(2,085)**

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

34. PROVISIONS FOR RISKS AND CHARGES

	December 31, 2023	December 31, 2022	Changes
Provisions for risks and charges	4,337	1,792	2,545
Total provisions for risks and charges	**4,337**	**1,792**	**2,545**

The provision for risks and charges relates to the Agents Termination Indemnity Provision (FIRR), the Agents Supplementary Indemnity Provision (FISC), and the provisions for commercial disputes and disputes with the licensee network.

The increase for the period includes Euro 1.5 million for the higher estimate of the expected future outlay for the termination of licensing and distribution agreements in two countries.

35. LOANS

The changes in the loans during the year are shown below:

	31/12/2022	Repayments	New Loans	31/12/2023	Short-term portion	Medium /long-term portion
Banco BPM Mortgage Loan (Real Estate)	30,713	(3,150)	-	27,563	3,150	24,413
MPS loan (Sebago)	4,875	(2,438)	-	2,438	2,438	-
Banco BPM Unsecured Loan (Kappa Japan brand)	5,625	(1,500)	-	4,125	1,500	2,625
FCG Loan L.662/96 (BasicNet)	5,156	(1,375)	-	3,781	1,375	2,406
FCG Loan L.662/96 (BasicItalia)	5,156	(1,375)	-	3,781	1,375	2,406
FCG Loan L.662/96 (K-WayRetail)	4,125	(1,100)	-	3,025	1,100	1,925
FCG Loan L.662/96 (Kappa Japan brand)	5,500	(1,375)	-	4,125	1,375	2,750
BPI KE loan	1,001	(333)	-	668	333	334
Abanca "Covid-19" subsidised loan	167	(66)	-	101	67	34
KSI "Covid-19" subsidised loan	329	(139)	-	191	142	48
Intesa KFF loan	1,200	(800)	-	400	400	-
BNP Loan – La Baule	314	(57)	-	257	57	200
BPI Loan – La Baule	343	(57)	-	286	57	229
HSBC Loan – Montpellier	203	(46)	-	157	46	111
BNP Loan – Nice	334	(79)	-	255	79	177
SGE Loan – Lyon	277	(87)	-	191	88	103
SGE Loan – Temple (restructuring)	110	(47)	-	63	47	16
BNP Loan – Temple	169	(84)	-	85	85	-
SGE Loan – Temple	176	(87)	-	89	89	-
SGE Loan – Biarritz	207	(54)	-	154	54	99
BPI Loan – Biarritz	206	(56)	-	150	75	75
BNP Loan – PGE	432	(141)	-	291	124	167
HSBC Loan – PGE	279	(84)	-	196	84	112
SGE Loan – PGE	279	(83)	-	196	84	112
BNP – Lyon	-	-	900	900	106	794
Balance	**67,178**	**(14,611)**	**900**	**53,467**	**14,330**	**39,136**

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2023	December 31, 2022	Changes
Medium/long term loans:			
- due within 5 years	30,474	39,943	(9,469)
- due beyond 5 years	8,663	11,813	(3,150)
Total medium/long-term loans	39,136	51,756	(12,619)
Finance lease payables	77	259	(181)
Total leasing payables (maturity within 5 years)	77	259	(181)
Total loans	**39,214**	**52,014**	**(12,800)**

The “Banco BPM Mortgage” was disbursed in September 2022 for Euro 31.5 million and has a ten-year duration, repayable in quarterly instalments. The variable rate, equal to the quarterly Euribor +150 points, was hedged for 30% of the notional amount at a fixed rate of 3.52%. The loan, secured by a first level mortgage on the BasicVillage in Turin and the adjacent property, the BasicVillage in Milan, and the property on Strada Cebrosa, made it possible to fully refinance the debt arising from the Group's real estate operations.

The “MPS Loan” was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of Sebago S.r.l. (previously “TOS S.r.l.”), owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

The “BPM Banco Unsecured Loan” was issued in September 2020 for Euro 6 million and is of six-year duration, repayable in quarterly instalments from December 2022 at a quarterly Euribor rate plus 135 basis points (Note 46). The loan funded Basic Trademark's purchase of the Kappa Japan brand (now Kappa S.r.l.). No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%, in addition to the constraint of maintaining the Group's total shareholding in Kappa.

For the loans disbursed in 2020 under the SMEs Guarantee Fund, the following should be noted:

1. BasicNet: Intesa loan in October 2020 disbursed for Euro 5.5 million; it has a six-year term, repayable in quarterly 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 (initially issued to BasicRetail and transferred to K-WayRetail); and is of six-year duration, repayable in quarterly instalments from December 2021 at a quarterly Euribor rate plus 110 basis points (Note 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. Kappa: 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 provided that the use of the relative liquidity was tied to the purchase of the Kappa Japan brand. The Fund's guarantee covers 90% of the amount disbursed;

The "Intesa KFF Loan" was disbursed in 2019 for Euro 3.6 million to Kappa France by the French branch of Banca Intesa Sanpaolo S.p.A. The unsecured loan is repayable over 5 years in half-yearly 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 subsidiary, individually of insignificant amounts, are generally in line with those of the Group's medium/long-term debt.

As part of the acquisition of K-Way France, the Group incorporated

i. 10 loan contracts, generally backed by collateral on “fonds de commerce”, originally entered into to finance the acquisition, development or renovation of monobrand stores;
ii. 3 loan contracts, backed by a guarantee from the French state, and disbursed as part of the measures to support enterprises in the face of the COVID-19 epidemic.

During the year, K-Way France obtained a new five-year loan for Euro 0.9 million, which is to be repaid in quarterly instalments. The fixed rate was 4.40%. Backed by the related *fonds de commerce*, the loan partially funded the acquisition and redevelopment of new Lyon boutique.

At December 31, 2023, 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 409.2 million, broken down as follows:

(in Euro millions)	December 31, 2023	December 31, 2022
Cash facility	295.1	267.4
Factoring	14.2	14.2
Letters of credit and swaps	43.3	39.8
Medium/long term loans	55.6	67.2
Property leases	1.0	1.0
Total	**409.2**	**389.6**

The average interest paid for the BasicNet Group in the year is reported in Note 36 below.

36. BANK PAYABLES

	December 31, 2023	December 31, 2022	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	14,330	15,423	(1,093)
- bank overdrafts and bills	43,832	5,977	37,854
- import advances	27,189	39,938	(12,749)
Total bank payables	**85,351**	**61,338**	**24,013**

The portion of medium/long-term loans due within one year is included under short-term bank debt as described in Note 35.

The changes in the financial position are commented upon in the Directors' Report. Interest due matured at the end of the year on short and medium/long-term loans is reported in the account "bank payables".

Cash advances refer to temporary utilisation by the Parent Company BasicNet S.p.A., for Group treasury needs.

The financial debt by interest rate at December 31, 2023 is as follows:

	Interest Rate		
	Fixed	Variable	Total
Short-term	10,107	75,244	85,351
Medium/long term	21,885	17,329	39,214
Total	**31,992**	**92,573**	**124,565**

The average interest rate on medium/long term loans was 3.40%.

37. PAYABLES FOR RIGHT-OF-USE

	December 31, 2023	December 31, 2022	Changes
Payables for rights-of-use	36,778	30,734	6,044
Total payables for right-of-use	**36,778**	**30,734**	**6,044**

Movements in the account are detailed below:

(in Euro millions)	FY 2023	FY 2022
Opening balance	**30.7**	**24.0**
New contracts	2.9	2.7
Renewals	10.2	1.7
Change in consolidation scope	-	8.0
Payments	(8.5)	(6.8)
Corrections, withdrawals and other changes	1.4	1.1
Closing balance	**36.8**	**30.7**
of which: within 12 months	*8.1*	*7.3*
of which: beyond 12 months	*28.7*	*23.4*

38. OTHER FINANCIAL PAYABLES

	December 31, 2023	December 31, 2022	Changes
Other financial payables	8,146	9,749	(1,603)
Other financial payables	**8,146**	**9,749**	**(1,603)**

Other financial payables include the portion due beyond one year of the variable component (”earn-out”) of the price to be paid for the acquisition of K-Way France. The portion due within one year amounts to Euro 1.6 million and is classified to Other current liabilities (Note 44).

39. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 3.0 million and the termination indemnities of Directors of Euro 0.8 million.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2023			December 31, 2022		
	Defined benefit plans	**Defined contrib. plans**	**Total**	**Defined benefit plans**	**Defined contrib. plans**	**Total**
Change in the balance sheet:						
Net liabilities recognized at begin. of year	2,318	-	2,318	3,568	-	3,568
Change in consolidation scope				-	-	-
Interest	97	-	97	33	-	33
Pension cost, net of withholdings	412	1,350	1,762,425	54	1,222	1,276
Benefits paid	(173)	-	(173)	(281)	-	(281)
Payments to the INPS treasury fund	-	(1,050)	(1,050)	-	(947)	(947)
Payments to other supp. pension fund	-	(300)	(300)	-	(275)	(275)
Actuarial gain/(losses)	61	-	61	(431)	-	(431)
Net liabilities recognised in the accounts	**2,717**	**-**	**2,717**	**2,944**	**-**	**2,944**
Change in the income statement:						
Interest	97	-	97	33	-	33
Pension Cost	412	1,350	1,762	54	1,222	1,276
Total charges/(income) for post-employment benefits	**510**	**1,350**	**1,860**	**87**	**1,222**	**1,309**

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 50 thousand.

The principal assumptions of the model concerning the actuarial valuations relating to personnel costs are:

	December 31, 2023	December 31, 2022
discount rate	3.39%	4.14%
inflation rate:	2.00%	2.30%
annual increase in post-employment benefit	3.00%	3.23%
annual increase in salaries	1.00%	1.00%
turnover rate	7.50%	7.50%

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, 2023	December 31, 2022	Changes
Deferred tax liabilities	7,690	7,004	685
Total deferred tax liabilities	**7,690**	**7,004**	**685**

Reference should be made to Note 26 above for further details.

41. OTHER NON-CURRENT LIABILITIES

	December 31, 2023	December 31, 2022	Changes
Guarantee deposits	2,225	1,976	249
Medium/long term tax payables	-	-	-
Total other non-current liabilities	**2,225**	**1,976**	**249**

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 decreased by approx. Euro 23.1 million compared to December 31, 2022, due to the further advances on the procurement of goods during the last quarter compared to the same period of the previous year, in addition to the reduction in purchases. 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, 2023	December 31, 2022	Changes
Tax payables:			
IRES	861	5,563	(4,702)
Employee contributions	675	628	47
Group VAT	6,056	3,120	2,936
Other	196	426	(230)
Total tax payables	**7,788**	**9,737**	**(1,949)**

Current tax payables include provisions for IRES and IRAP to be settled at the reporting date.

44. OTHER CURRENT LIABILITIES

	December 31, 2023	December 31, 2022	Changes
Payables for the purchase of equity investments	1,592	7,332	(5,740)
Payables to employees and directors	3,768	3,811	(43)
Social security institutions	2,884	2,836	48
Accrued expenses	1,270	1,069	202
Shareholder dividend account	2	5	(3)
Other liabilities	3,768	2,016	1,752
Total other current liabilities	**13,284**	**17,069**	**(3,785)**

"Payables for the purchase of equity investments" includes the portion due within one year of the variable component ("earn-out") of the price based on the 2023 results, to be paid for the acquisition of K-Way France. This is an item of a financial nature, so it is included in the statement of Consolidated Net Financial Position in accordance with ESMA instructions.

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, 2023 principally concern royalty payments on account from licensees (Euro 440 thousand) and other miscellaneous amounts.

45. DEFERRED INCOME

	December 31, 2023	December 31, 2022	Changes
Royalties	1,368	1,215	153
Sponsored goods revenues	3,890	4,261	(371)
Entry Fee	4,187	-	4,187
Other deferred income	609	671	(62)
Total deferred income	**10,055**	**6,147**	**3,908**

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, 2023	December 31, 2022	Changes
Derivative financial instruments	270	3,054	(2,784)
Total	**270**	**3,054**	**(2,784)**

The account includes the market value at December 31, 2023 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 2024 and 2025, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget. At December 31, 2023, commitments were in place on estimated future purchases, for USD 69 million, broken down into 26 transactions with differing maturities: 15 transactions in the first half of 2024 (for USD 45 million), 11 transactions in the second half of 2024 (for USD 24 million) at variable exchange rates set between USD/Euro 1.1025 and USD/Euro 1.134. An equity reserve was recorded of Euro 1 million, net of the tax effect. During 2023, forward purchase operations were utilised for approx. USD 71.3 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 35.

We highlight:

1. For BasicItalia: in February 2010, Intesa Sanpaolo S.p.A. and the Company signed an agreement which would permit access to subsidised finance for the start-up of franchising stores of the Group, against which the Company guarantees a portion of the loan and the purchase of assets in leasing and sub-entry into the management of the sales point in the case of non-compliant of the store owner. At December 31, 2023, Euro 2 thousand was in escrow deposits; guarantees amounting to Euro 71 thousand were issued, commitments for guarantees in favour of the tenants of the stores where the Company directly retails the products were undertaken for Euro 434 thousand, and guarantees on VAT deposits were issued for Euro 1.2 million;
2. BasicNet S.p.A.: the company has commitments for guarantees in favour of store tenants in the interest of SupergaRetail for Euro 85 thousand, of KappaRetail for Euro 76 thousand, and of K-WayRetail for Euro 209 thousand;
3. Kappa S.r.l.: the company has undertaken guarantees on the VAT deposit for Euro 6.7 million and commitments for guarantees on leasing issued in favour of the Company for Euro 77 thousand;
4. For 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 9.9 million and VAT deposit guarantees for Euro 2.5 million;
5. KappaRetail S.r.l.: the company has undertaken commitments for guarantees on leasing issued in favour of the Company for Euro 173 thousand;
6. K-WayRetail S.r.l.: the company has undertaken commitments for guarantees on leasing issued in favour of the Company for Euro 155 thousand and guarantees in favour of the tenants of stores where the Company conducts direct retail sales for Euro 434 thousand;

7. Superga S.r.l.: the company has undertaken guarantees on VAT deposits for Euro 950 thousand;
8. Sebago S.r.l.: 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 and VAT deposit guarantees for Euro 414 thousand;
9. K-Way France S.a.s.: the commercial activities concerning the direct sales points in Montpellier, Paris (Rue de Temple), La Baule, Lyon, Biarritz and Nice are pledged as collateral for the respective loans.

48. OPERATIONS UNDER COMMON CONTROL

During the year, the Group substantially completed the corporate reorganisation project in order to bring under the direct control of BasicNet all of the individual brand-owning companies. The project, which does not entail any change in the Group's ownership structure or equity structure, is designed to ensure a closer focus on the individuals brands.

In particular, during the year, the project involved:

- the sale of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for the Kappa/Superga, Lo Spaccio double brand stores, the double/triple brand stores at the airports, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff) from BasicRetail S.r.l. to KappaRetail S.r.l., with deferred effect to June 1, 2023;
- the sale, in June 2023, of the investment in Kappa Sport Iberia S.L. by Kappa France S.a.s. and Kappa S.r.l.;
- the spin-off of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for Superga brand stores, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff) from BasicRetail S.r.l. to the newly established SupergaRetail S.r.l., with deferred effect to July 1, 2023;
- the spin-off of the business unit relating to direct retail sales in Italy (including, among other matters, lease contracts for Subago brand stores, the related furniture, plant and electronic machines, all the related contracts and legal relationships, employment relationships with sales staff) from BasicRetail S.r.l. to the newly established SupergaRetail S.r.l., with deferred effect to July 1, 2023;
- the spin-off of the business unit relating to distribution of the brands Jesus Jeans, Sabelt, Culuccia, and FSM (including, among other matters, the commercial licences, the customer lists and the order portfolio, and the inventories including the goods in consignment stock) by BasicItalia S.p.A. and Kappa S.r.l., with deferred effect to July 1, 2023;
- the consequent merger of BasicRetail S.r.l. into BasicItalia S.p.A., with deferred effect to July 1, 2023;
- the spin-off of the business unit relating to the Superga commercial activity (including, among other matters, the commercial license for the Italian territory, the customer lists and the order portfolio, the business unit lease contracts to the franchisees, all the franchise contracts, the inventories including the goods in consignment stock at the mono-brand stores, the agency contracts, the employment relationships with the sales and marketing staff of the investment in SupergaRetail S.r.l.) by BasicItalia S.p.A. to Superga S.r.l., with deferred effect to November 1, 2023;
- the spin-off of the business unit relating to the Sebago commercial activity (including, among other matters, the commercial license for the Italian territory, the customer lists and the order portfolio, the business unit lease contracts to the franchisees, all the franchise contracts, the inventories including the goods in consignment stock at the mono-brand stores, the agency contracts, the employment relationships with the sales and marketing staff of the investment in SebagoRetail S.r.l.) by BasicItalia S.p.A. to Sebago S.r.l., with deferred effect to November 1, 2023;
- the renaming of BasicItalia S.p.A to BasicItalia S.r.l., with deferred effect to November 1, 2023.

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 31.12.2023
	Income Statement	Shareholders' Equity			
Assets:					
Equity invest. & other financial assets	-	-	-	955	955
Interests in joint ventures	-	-	-	182	182
Cash and cash equivalents	-	-	31,962	-	31,962
Trade receivables	-	-	76,329	-	76,329
Other current assets	-	-	14,686	-	14,686
Derivative financial instruments	-	930	-	-	930
Liabilities:					
Medium/long-term loans	-	-	39,214	-	39,214
Bank payables	-	-	85,351	-	85,351
Trade payables	-	-	76,959	-	76,959
Other current liabilities	-	-	13,284	-	13,284
Derivative financial instruments	-	270	-	-	270

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 in commodity prices relating to raw materials (wool, cotton, rubber, synthetic fibre etc.) incorporated in the finished products which BasicItalia S.r.l., K-Way S.p.A. and Kappa France Group acquire 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, 2023, unrealised exchange gains were recorded of Euro 371 thousand, while unrealised exchange losses were recorded of Euro 505 thousand, for net unrealised exchange gains of Euro 134 thousand.

The account includes the market value at December 31, 2023 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 2024 and 2025, on the basis of the goods orders already sent to suppliers, or still to be made but included in the budget.

At the reporting date, there were 26 hedge transactions on US Dollar fluctuations, totalling USD 69 million; the relative effects are illustrated in the account “Derivative financial instruments”, in Note 46.

Group Management considers that the management and containment polices 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, 2023 is shown below:

	December 31, 2023	%	December 31, 2022	%
Fixed rate	31,992	25.7%	40,974	36.1%
Variable rate	92,573	74.3%	72,378	63.9%
Gross debt	**124,565**	**100.00%**	**113,352**	**100.00%**

The interest rate fluctuation risks of some medium/term loans were hedged with conversion of the variable rate into fixed rates, as described in Note 46. On the remaining part of the debt, the Group is exposed to fluctuation risks.
Where at December 31, 2023 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 +179 thousand and Euro -179 thousand.

Credit risk

The doubtful debt provision (Note 28) which includes provisions against specific credit positions and a general provision on an historical analysis of receivables, represents approx. 22.6% of trade receivables at December 31, 2023.

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 35).

The table below illustrates the cash flow timing of payments on medium/long-term debt.

	Book value	Future interest income/(expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
Unicredit BasicVillage Turin mortgage	-	-	-	-	-	-
Intesa mortgage loan (Cebrosa)	-	-	-	-	-	-
BPM Loan	-	-	-	-	-	-
BNL loan	-	-	-	-	-	-
BPM Loan (Real Estate)	27,563	6,092	33,655	4,445	17,170	12,041
MPS loan (Sebago)	2,438	35	2,472	1,660	813	-
Banco BPM unsecured loan Kappa Japan brand	4,125	74	4,199	1,543	2,656	-
FGC 662/96 K-WayRetail Loan	3,025	44	3,069	1,125	1,944	-
FGC 662/96 loan BasicNet	3,781	60	3,842	1,410	2,432	-
FGC 662/96 Kappa Kapan brand loan	4,125	71	4,196	1,414	2,783	-
FGC 662/96 loan BasicItalia	3,781	60	3,842	1,410	2,432	-
BPI KE loan	667	28	695	354	175	-
Subsidised loan "Covid 19" Abanca	101	2	103	69	34	-
Subsidised loan "Covid 19" KSI	191	3	194	145	48	-
Santander KSI loan	-	-	-	-	-	-
Intesa KFF loan	400	3	403	403	-	-
BNP – La Baule	257	4	262	59	203	-
BPI – La Baule	286	14	299	62	237	-
HSBC – Montpellier	157	4	161	48	113	-
BNP – Nice	255	3	258	80	178	-
SGE – Lyon	191	2	193	89	104	-
SGE – Temple (financement Travaux)	63	-	64	47	20	-
BNP – Temple	85	1	86	86	-	-
SGE – Temple	89	1	90	88	-	-
SGE – Biarritz	154	3	157	56	100	-
BPI – Biarritz	131	6	137	80	58	-
BNP – PGE	283	3	285	123	163	-
HSBC – PGE	196	1	197	84	112	-
SGE – PGE	195	1	196	84	112	-
BNP – Lyon	900	-	900	106	794	-
Lease payables	77	2	79	71	8	-
Payables for rights-of-use	36,778	2,292	39,070	8,781	25,093	5,195
Total financial liabilities	**90,295**	**8,809**	**99,103**	**23,922**	**57,780**	**17,236**

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., K-WayRetail S.r.l., Kappa S.r.l., KappaRetail S.r.l., Basic Village S.p.A., Jesus Jeans S.r.l., Sebago S.r.l., SebagoRetail S.r.l, Superga S.r.l., SupergaRetail S.r.l., and BasicAir S.r.l. have adhered to the national fiscal regime as per Article 177/129 of the CFA.

Kappa France S.a.s. and its subsidiaries and K-Way France S.a.s. 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, 2023 are reported below:

	Investments	Trade receivables	Trade Payables	Other Income	Costs
Interests in joint ventures:					
- Fashion S.r.l.	182	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	6,700

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati with Negri-Clementi, as part of a framework contract, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.

The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with Marco Boglione & Figli S.r.l.. The agreement is for a duration until July 30, 2026 and provides for an exercise price of the Call Option by Marco Boglione & Figli S.r.l. 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 2021, the Supreme Court of Cassation notified BasicNet of the challenge made by the Tax Agency. In February 2023, Section VI referred the case to Section V of the Supreme Court.

At the end of September 2023, the Company decided to take advantage of the facilitated settlement of pending tax disputes, as outlined in Article 1, paragraphs 186 to 202, of Italian law no. 197 of December 29, 2022 (Budget Law 2023), given the option to definitively conclude the dispute with payment of approximately Euro 24,500, equivalent to 5% of the higher taxes previously assessed. This approach allowed the Company to avoid the prolongation of disputes, thereby saving on additional defence costs and, more importantly, eliminating the risk, albeit limited, of an unfavourable verdict from the Supreme Court. As of today, the Company is waiting for the Court to acknowledge the settlement and declare the definitive closure of the matter in dispute.

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. (changed its legal format to a "S.r.l." and its name to Kappa S.r.l.) and Superga Trademark S.A. (now S.r.l. and subsequently incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency.

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

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

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

On June 21, 2023, the first level judgement of the Tax Court fully accepted the combined appeals of Basic Properties America Inc., BasicTrademark S.A. (which changed its legal format to a "S.r.l." and its name to Kappa S.r.l.) and Superga Trademark S.A. (now S.r.l. and subsequently incorporated with BasicTrademark S.r.l.) and cancelled the tax assessments issued by the Tax Agency in relation to fiscal year 2016.

As already described, the 2023 Budget Law provided for a series of defining institutions of the tax claim ("tax truce"); consequently, its entry into force entailed a nine-month suspension of the deadlines for appealing all judgments, regarding definable disputes, which would have ordinarily expired between January 1 and July 31, 2023. Therefore, as of September 30, 2023 the ordinary terms for any appeal by the Tax Agency in the second instance (for the 2015-2016 fiscal years) or in the Court of Cassation (for the 2011-2014 fiscal years) commenced.

On January 17, 2024, the Office recommended an appeal of the unfavourable ruling issued in June 2023 by the tax court of first instance concerning the assessments related to 2016.

As of today's date, the Group companies have had their claims recognised in the first instance for all the years in dispute and in the second instance for the years 2011 to 2014.

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

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

Commercial disputes

FISI pre-emption right

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

The judgment in the case on the merits, issued on February 23, 2023, confirms this protective order issued on July 14, 2022 and the position of BasicItalia S.p.A., namely that from the moment of BasicItalia S.p.A.'s acceptance of the conditions offered by FISI, and thus from June 3, 2021, a new sponsorship contract was concluded between BasicItalia S.p.A. and FISI for the 2022/23 seasons until the 2025/26 season, also recognising a right of first refusal in favour of Basic Italia S.p.A. for the following four-year period.

As a result, the court ordered FISI to fulfil its contractual obligations, prohibiting FISI from entering into supply and sponsorship contracts with third parties other than BasicItalia S.p.A. and from using in its competitive activities clothing items with trademarks other than those indicated in the contract between BasicItalia S.p.A. and FISI.

Regarding damages, the Court ruled that the damage resulting from FISI's breach of duty can only be fully assessed and quantified following the last competitive season until at least 2025/2026.

FISI appealed the judgment by writ of summons served on March 27, 2023, requesting to suspend and/or revoke the provisional enforceability of the judgment and to uphold the appeal on the basis of the conclusions advanced by FISI in the first instance judgment and, by way of counterclaim, to establish BasicItalia's failure to comply with the provisions of the Contract and to declare the termination of the Contract for non-performance with an order to pay damages.

Meanwhile, on July 20, FISI's request for a stay of the enforceability of the first instance ruling was granted by the Court of Appeals, pending further consideration of the documents in the appeal proceedings.

The Milan Court of Appeals has now set the terms for document filings as follows: filing of the written notes by March 1, 2024; filing of closing arguments by April 2, 2024; and filing of responses by April 17, 2024.

On behalf of the Board of Directors

The Chairperson

Marco Daniele Boglione

ATTACHMENT 1

DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION

Type of service	Service provider	Company	Fees for 2023
Audit	EY S.p.A.	Parent BasicNet S.p.A.	59,000
		Subsidiaries	162,000
	Network EY	Subsidiaries	157,000
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
		Subsidiaries	-
Other services	EY S.p.A.	Subsidiaries	-
Total			**378,000**

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COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE LINE-BY-LINE METHOD

	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
PARENT COMPANY					
BasicNet S.p.A.					
Directly held subsidiaries:					
- BasicAir S.r.l. single shareholder company	Turin (Italy)	Company owning the Cessna Citation VII aircraft.	EURO	3,000,000	100
- BasicItalia S.r.l. single shareholder company	Turin (Italy)	Logistics hub for the Group's distribution companies and providers of operations, legal and administrative services	EURO	100,000	100
- BasicNet Asia Ltd.	Hong Kong (China)	Control activity of the licensees and sourcing centre in Asia.	HKD	10,000	100
- BasicNet Asia Company Limited	Ho Chi Minh City (Vietnam)	Control activity of the licensees and sourcing centre in Asia.	DONG	462,600,000	100
- Basic Properties America, Inc.	Richmond (Virginia – USA)	Sub-license of brands for the American market	USD	2,000	100
- BasicVillage S.p.A. - single shareholder company	Turin (Italy)	Management of the properties owned in Turin - Largo M. Vitale 1, C.so Regio Parco, 43, C.so Regio Parco, 33, Strada della Cebrosa 106, and Milan - Via dell'Aprica 12.	EURO	412,800	100
- Jesus Jeans S.r.l. single shareholder company	Turin (Italy)	Initially set up to manage the Jesus Jeans brand.	EURO	10,000	100
- Kappa S.r.l. single shareholder company	Turin (Italy)	Company owning the Kappa, Robe di Kappa, Briko brands and distributor for the brands, managing direct-to-public outlets for the brands' products.	EURO	1,300,000	100
- K-Way S.p.A. single shareholder company	Turin (Italy)	Company owning the K-Way brand and distributor for the brand, managing direct-to-public outlets for brand products.	EURO	10,050,000	100
- Sebago S.r.l. single shareholder company	Turin (Italy)	Company owning the Sebago brand and distributor for the brand, managing direct-to-public outlets for brand products.	EURO	50,000	100
- Superga S.r.l. single shareholder company	Turin (Italy)	Company owning the Superga brand and distributor for the brand, managing direct-to-public outlets for brand products.	EURO	50,000	100
Indirectly held subsidiaries:					
- through Kappa S.r.l.					
- Kappa France S.a.s.	Saint Herblain (France)	Kappa licensee for France.	EURO	2,207,600	100

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	Registered Office	Corporate purpose	Share capital		Parent company holding (%)
Indirectly held subsidiaries (cont.):					
- through Kappa S.r.l.					
- KappaRetail S.r.l. single shareholder company	Turin (Italy)	Company operating certain retail outlets for products of the Kappa, Robe di Kappa and Briko brands.	EURO	10,000	100
- Kappa Sport Iberia S.L.	Madrid (Spain)	Sub-licensee for the Spanish and Portuguese territory	EURO	505,588	100
- through Kappa France S.a.s.					
- Kappa Retail Monaco S.a.r.l.	Monaco	Company that manages the store in Monaco.	EURO	15,000	100
- Preppy Cotton S.A. (in liquidation)	Reidermoos (Switzerland)	Swiss company in liquidation.	EURO	101,105	100
- Sport Fashion Distribution UK Ltd (in liquidation)	Manchester (United Kingdom)	British company in liquidation.	LIRE STERLING	1	100
- Sport Fashion Retail S.a.r.l.	Saint Herblain (France)	Company operating direct outlets in France.	EURO	5,000	100
- Textiles D'Artois S.a.r.l. (in liquidation)	Haute Avesnes (France)	Company dedicated to sublimation projects on behalf of the Kappa France Group licensees.	EURO	3,000	100
- through K-WAY S.p.A.					
- K-WayRetail S.r.l. single shareholder company	Turin (Italy)	Management of outlets owned by the Group and a number of K-Way brand and product sales points.	EURO	10,000	100
- K-WayRetail SUISSE S.A.	Mendrisio (Switzerland)	Management of the point of sale to the public in Mendrisio, Switzerland of K-Way brand products.	CHF	100,000	100
- K-Way France S.a.s.	Paris (France)	- K-Way licensee for France.	EURO	150,000	100
- K-Way Iberia S.L.	Madrid (Spain)	Management of retail outlets of K-Way brand products to the public in Spain.	EURO	3,000	100
- K-Way Retail Ireland Ltd.	Dublin (Ireland)	Management of retail outlet to the public in Kildare, Ireland of K-Way brand products.	EURO	1,000	100
- through Sebago S.r.l.					
- SebagoRetail S.r.l. single shareholder company	Turin (Italy)	Company established in January 2023 to manage certain retail outlets for Sebago brand products.	EURO	10,000	100
- through Superga S.r.l.					
- SupergaRetail S.r.l. single shareholder company	Turin (Italy)	Company established in January 2023 to manage certain retail outlets for Superga brand products.	EURO	10,000	100

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COMPANIES INCLUDED IN THE CONSOLIDATION UNDER THE EQUITY METHOD

	Registered Office	Corporate purpose	Share capital		Share capital Holding (%)
- Fashion S.r.l.	Turin (Italy)	Owner of the Sabelt brand under joint-venture	EURO	100,000	50 (2)

(2) the remaining 50% of the investment is held by the Marsiaj family

ATTACHMENT 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 2023 consolidated financial statements.

In addition, we declare that the consolidated financial statements:

a) corresponds to the underlying accounting documents and records;

b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union, and also in accordance with Article 9 of Legislative Decree No. 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer and of the consolidated companies;

c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione
Chairperson

Federico Trono
Chief Executive Officer

Paola Bruschi
Executive Officer for Financial Reporting

BasicNet S.p.A.

Consolidated financial statements as at December 31, 2023

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

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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, 2023, the consolidated statement of income, the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and explanatory notes to the consolidated financial statements, including material accounting policy information.

In our opinion, the consolidated financial statements give a true and fair view of the financial position of the Group as at December 31, 2023, 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
Valuation of Trademarks and Goodwill At December 31, 2023 trademarks and goodwill amounted to € 59,7 million and € 41,8 million, respectively. Intangible Assets with indefinite useful life have been allocated to the Cash Generating Units (CGU) related to the Group's trademarks. 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. 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. Disclosures related to the valuation of trademarks and goodwill are provided in note 21 – "Intangible Assets", in note 23 "Goodwill" and in note 5 – "Accounting policies".	Our audit procedures in response to this key audit matter included, among others: • the assessment of the processes implemented by the company in relation to the criteria and methodology of the impairment test; • the evaluation of the CGUs identified and the allocation of assets and liabilities to the carrying value of each CGU; • the assessment of the future cash flow forecasts, including comparisons to industry forecasts and sector data; • the assessment of the consistency of the cash flow forecasts for each CGU as compared to the Group's business plan; • the evaluation of historical accuracy of the forecasts by comparison to actual results; • the assessment of the long-term growth rates and discount rates. 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. Lastly, we reviewed the adequacy of the disclosures provided in the explanatory notes in respect to the valuation of trademarks and goodwill.

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 them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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 as at December 31, 2023, with the provisions of the Delegated Regulation.

In our opinion, the consolidated financial statements as at December 31, 2023, 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.

Due to certain technical limitations, some information included in the explanatory notes to the consolidated financial statements when extracted from the XHTML format to an XBRL instance may not be reproduced in an identical manner with respect to the corresponding information presented in the consolidated financial statements in XHTML format.

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, 2023, 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, 2023 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, 2023 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 have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, 22 March 2024

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, 2023

FINANCIAL STATEMENTS AND EXPLANATORY NOTES

BASICNET S.p.A. – INCOME STATEMENT

(in Euro)	*Note*	FY 2023	FY 2022	Changes
Services to Group companies	*(8)*	14,634,685	11,371,302	3,263,383
Royalties and sourcing commissions	*(9)*	2,197,639	24,052,072	(21,854,433)
Direct sales	*(10)*	160,545	2,632,441	(2,471,896)
Cost of sales	*(11)*	(244,283)	(2,295,002)	2,050,719
Other income	*(12)*	1,147,676	460,977	686,699
Sponsorship and media costs	*(13)*	(268,307)	(657,363)	389,055
Personnel costs	*(14)*	(10,755,681)	(10,159,935)	(595,746)
Selling, general and administrative costs, royalties expenses	*(15)*	(13,516,536)	(17,168,763)	3,652,227
Amortisation & depreciation	*(16)*	(3,967,682)	(4,373,895)	406,213
EBIT		**(10,611,945)**	**3,861,834**	**(14,473,779)**
Net financial income (charges)	*(17)*	(208,387)	(94,050)	(114,377)
Dividends	*(18)*	3,000,000	7,000,000	(4,000,000)
Investment income (charges)	*(19)*	25,578,604	-	25,578,604
PROFIT BEFORE TAXES		**17,758,272**	**10,767,784**	**6,990,488**
Income taxes	*(20)*	2,318,741	387,712	1,931,029
NET PROFIT FOR THE YEAR		**20,077,014**	**11,155,496**	**8,921,517**

BASICNET S.p.A. – COMPREHENSIVE INCOME STATEMENT

(in Euro)	***Note***	**FY 2023**	**FY 2022**	**Changes**
Profit for the year (A)		***20,077,014***	***11,155,496***	***8,921,517***
Re-measurement of post-employment benefits (IAS 19) (*)		(12,792)	106,648	(119,440)
Tax effect on other profits/(losses)		3,070	(25,596)	28,666
Total other gains/(losses), net of tax effect (B)	*(31)*	***(9,722)***	***81,052***	***(90,774)***
Total Comprehensive Profit (A)+(B)		**20,067,292**	**11,236,549**	**8,830,744**

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

BASICNET S.p.A. – BALANCE SHEET

(in Euro)	*Note*	December 31, 2023	December 31, 2022
Intangible assets	*(21)*	4,227,329	3,969,048
Rights-of-use	*(22)*	3,564,117	7,072,144
Plant, machinery and other assets	*(23)*	1,822,148	1,966,254
Equity invest. & other financial assets	*(24)*	137,834,060	112,250,455
Deferred tax assets	*(25)*	1,403,510	1,664,351
Total non-current assets		**148,851,163**	**126,922,252**
Net inventories	*(26)*	-	-
Trade receivables	*(27)*	2,154,889	3,462,679
Other current assets	*(28)*	75,150,808	48,285,960
Prepayments	*(29)*	652,806	3,277,898
Cash and cash equivalents	*(30)*	1,525,834	541,699
Total current assets		**79,484,336**	**55,568,236**
TOTAL ASSETS		**228,335,499**	**182,490,488**

(in Euro)	*Note*	December 31, 2023	December 31, 2022
Share capital		31,716,673	31,716,673
Treasury shares		(16,442,464)	(13,954,869)
Other reserves		120,048,939	117,902,283
Net Profit		20,077,014	11,155,496
TOTAL SHAREHOLDERS' EQUITY	*(31)*	**155,400,162**	**146,819,583**
Provision for risks and charges	*(32)*	45,569	45,569
Loans	*(33)*	2,426,994	5,472,715
Payables for rights-of-use	*(35)*	3,670,479	7,124,087
Employee and Director benefits	*(36)*	1,750,460	1,218,015
Total non-current liabilities		**7,893,502**	**13,860,386**
Bank payables	*(34)*	26,152,370	4,630,255
Trade payables	*(37)*	3,983,092	5,545,163
Tax payables	*(38)*	3,554,607	5,161,019
Other current liabilities	*(39)*	31,276,550	6,404,124
Accrued expenses	*(40)*	75,217	69,958
Total current liabilities		**65,041,835**	**21,810,519**
TOTAL LIABILITIES		**72,935,337**	**35,670,905**
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		**228,335,499**	**182,490,488**

BASICNET S.p.A. – CASH FLOW STATEMENT

	(in Euro)	December 31, 2023	December 31, 2022
A)	**OPENING SHORT-TERM NET BANK DEBT**	**536,445**	**(6,559,358)**
B)	**CASH FLOW FROM OPERATING ACTIVITIES**		
	Net Profit for the year	20,077,014	11,155,496
	Amortisation & depreciation	3,967,682	4,373,895
	Write-back of impairment losses	(25,578,604)	-
	Changes in working capital:		
	- (increase) decrease in trade receivables	1,307,790	2,949,117
	- (increase) decrease in inventories	-	(448,061)
	- (increase) decrease in other receivables	(19,412,724)	(4,303,385)
	- increase (decrease) in trade payables	(1,562,071)	1,222,893
	- increase (decrease) in other payables	3,605,199	(215,613)
	Net changes in employee and Director benefits	522,722	(1,015,574)
	Others, net	-	45,569
		(17,072,993)	**13,764,338**
C)	**CASH FLOW FROM INVESTING ACTIVITIES**		
	Investments in fixed assets:		
	- tangible assets	(384,878)	(747,040)
	- intangible assets	(204,768)	(2,429,450)
	- financial assets	(5,000)	(5,047,030)
	Realisable value for fixed asset disposals:		
	- tangible assets	15,818	161
	- intangible assets		-
	- financial assets		-
		(578,829)	**(8,223,359)**
D)	**CASH FLOW FROM FINANCING ACTIVITIES**		
	Net change in inter-company payables/receivables	15,099,883	21,022,852
	Undertaking of finance leases	(45,721)	(53,585)
	Medium/long term loans (repayments)	-	-
	Repayments of medium/long term loans	(3,812,500)	(5,468,750)
	Repayment of loans for rights-of-use	(3,453,608)	(1,316,606)
	Acquisition of treasury shares	(2,487,595)	(6,536,517)
	Distribution of dividends	(8,999,118)	(6,092,570)
		(3,698,658)	**1,554,824**
E)	**CASH FLOW IN THE YEAR**	**(21,350,480)**	**7,095,803**
F)	**CLOSING SHORT-TERM NET BANK DEBT**	**(20,814,035)**	**536,445**

Interest paid for the year amounts to respectively Euro 287 thousand in 2023 and Euro 182 thousand in 2022, while income taxes paid in the year amounted to Euro 2.0 million in 2023 and Euro 2.9 million in 2022.

BASICNET S.p.A. - STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

(in Euro)	Share capital	Action Legal	Reserve Legal	Treasury shares in portfolio reserve	Remeasurement Reserve IAS19	IFRS16 Reserve	Conferment reserve	Merger reserve	Unrealised exchange gains reserve	Retained earnings (losses)	Net profit	Total
Balance at December 31, 2021	**31,716,673**	**(30,647,910)**	**6,343,334**	**30,647,910**	**(137,156)**	**(86,584)**	**-**	**-**	**174,736**	**44,247,428**	**65,689,195**	**147,947,626**
Allocation of result as per Shareholders' AGM resolution of 13/4/2022												-
- Legal reserve		-	-	-	-	-	-	-	-	-	-	-
- Unrealised exchange gains reserve		-	-	-	-	-	-	-	(174,736)	221,238	(46,503)	-
- Retained earnings		-	-	-	-	-	-	-	-	(1,353,249)	-	(1,353,249)
- Distribution of dividends		-	-	-	-	-	-	-	-		(4,739,320)	(4,739,320)
- Conferment reserve		-	-	-	-	-	60,903,373		-	-	(60,903,373)	-
Acquisition of treasury shares		(6,536,517)	-	6,536,517		-	-	-	-	(6,536,517)	-	(6,536,517)
Sale of treasury shares		23,229,558	-	(23,229,558)	-	-	-	-	-		-	-
Merger with BasicNewco Srl								264,495				264,495
Result December 31, 2022		-	-	-	-	-	-	-	-	-	11,155,496	11,155,496
Other comprehensive income statement items:												
- Gains/(losses) recorded directly to cash flow hedge reserve		-	-	-	-	86,584	-	-	-	(86,584)	-	-
- Gains/(losses) recorded directly to equity for IAS 19 re-measurement		-	-	-	81,053	-	-	-	-	-	-	81,053
Total comprehensive income		-	-	-	*81,053*					-	*11,155,496*	*11,236,549*
Balance at December 31, 2022	**31,716,673**	**(13,954,869)**	**6,343,334**	**13,954,869**	**(56,104)**	**-**	**60,903,373**	**264,495**	**-**	**36,492,316**	**11,155,496**	**146,819,583**
Allocation of result as per Shareholders' AGM resolution of 13/04/2023												-
- Legal reserve		-	-	-	-	-	-	-	-	-	-	-
- Unrealised exchange gains reserve		-	-	-	-	-	-	-	-		-	-
- Retained earnings		-	-	-	-	-	-	-	-	2,140,646	(2,140,646)	-
- Distribution of dividends		-	-	-	-	-	-	-	-	15,731	(9,014,850)	(8,999,119)
- Conferment reserve		-	-	-	-	-			-	-	-	-
Acquisition of treasury shares		(2,487,595)	-	2,487,595		-	-	-	-	(2,487,595)	-	(2,487,595)
Result December 31, 2023		-	-	-	-	-	-	-	-	-	20. 077,014	20,077,014
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		-	-	-	(9,722)	-	-	-	-	-	-	(9,722)
Total comprehensive income		-	-	-	*(9,722)*					-	*20,077,014*	*20,067,292*
Balance at December 31, 2023	**31,716,673**	**(16,442,464)**	**6,343,335**	**16,442,464**	**(65,826)**	**-**	**60,903,373**	**264,495**	**-**	**36,161,099**	**20,077,014**	**155,400,162**

BASICNET S.p.A. – NET FINANCIAL POSITION

(in Euro)	**December 31, 2023**	**December 31, 2022**
Cash and cash equivalents	1,525,834	541,699
Bank overdrafts and bills	(22,339,870)	(5,255)
Sub-total net liquidity available	*(20,814,036)*	*536,445*
Short-term portion of medium/long-term loans	(3,812,500)	(4,625,000)
Short-term net financial position – third parties	**(24,626,536)**	**(4,088,555)**
"Intesa Loan - FCG"	(2,406,250)	(3,781,250)
"BNL Loan"	-	-
"MPS Loan"	-	(1,625,000)
Payables for rights-of-use	(3,670,479)	(7,124,087)
Medium/long lease payables	(20,744)	(66,465)
Sub-total loans and leasing – third parties	*(6,097,473)*	*(12,596,801)*
Net financial position - third parties	**(30,724,009)**	**(16,685,357)**
Group financial receivables / (payables)	21,249,093	36,348,976
Net Financial Position - Group	**21,249,093**	**36,348,976**
Total net financial position	**(9,474,916)**	**19,663,619**

The following table shows the composition of the Group's net debt as of December 31, 2023 and December 31, 2022, 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.

	(in Euro)	**December 31, 2023**	**December 31, 2022**
A.	Cash	7,265	7,720
B.	Other cash equivalents	1,518,569	533,979
C.	Securities held for trading	-	-
D.	**Cash & cash equivalents (A)+(B)+(C)**	**1,525,834**	**541,699**
E.	**Current financial receivables**	**-**	**-**
F.	Current bank payables	(22,339,870)	(5,255)
G.	Current portion of non-current debt	(3,812,500)	(4,625,000)
H.	Other Group financial receivables/ (payables)	21,249,093	36,348,976
I.	**Current financial debt (F)+(G)+(H)**	**(4,903,277)**	**31,718,721**
J.	**Net current financial debt (I)-(E)-(D)**	**(3,377,443)**	**32,260,421**
K.	Non-current bank payables	(2,426,994)	(5,472,715)
L.	Bonds issued	-	-
M.	Other non-current financial payables	(3,670,479)	(7,124,087)
No.	Trade payables and other non-current payables		
O.	**Non-current financial debt (K) + (L) + (M) + (N)**	**(6,097,473)**	**(12,596,801)**
P.	**Net financial debt (J) + (O)**	**(9,474,916)**	**19,663,619**

BASICNET S.P.A. STATEMEMT OF CHANGES IN NET FINANCIAL POSITION

(in Euro)	December 31, 2023	December 31, 2022
A) OPENING NET FINANCIAL POSITION	**19,663,619**	**26,751,727**
B) CASH FLOW FROM OPERATING ACTIVITIES		
Net profit for the year	20,077,014	11,155,496
Amortisation & depreciation	3,967,682	4,373,895
Write-back of impairment losses	(25,578,604)	-
Changes in working capital	(16,061,806)	(795,049)
Net changes in employee and director benefits	522,722	(1,015,574)
Others, net	-	45,569
	(17,072,993)	**13,764,338**
C) CASH FLOW FROM INVESTING ACTIVITIES		
Fixed asset investments	(594,647)	(8,223,520)
Realisable value for fixed asset disposals	15,818	161
	(578,829)	**(8,223,359)**
D) CASH FLOW FROM FINANCING ACTIVITIES		
Assumption (Reduction) payables for rights-of-use	-	-
Acquisition of treasury shares	(2,487,595)	(6,536,517)
Dividend payments	(8,999,118)	(6,092,570)
	(11,486,713)	**(12,629,087)**
E) CASH FLOW IN THE YEAR	**(29,138,535)**	**(7,088,108)**
F) CLOSING NET FINANCIAL POSITION	**(9,474,916)**	**19,663,619**

BASICNET S.p.A. – 2023 INCOME STATEMENT PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)	**FY 2023**	*Of which related parties Note 43*	**FY 2022**	*Of which related parties Note 43*
Services to Group companies	14,634,685	*14,634,685*	11,371,302	*11,371,302*
Royalties and sourcing commissions	2,197,639	*30,000*	24,052,072	*2,588,505*
Direct sales	160,545	*81,768*	2,632,441	*1,643,511*
Cost of sales	(244,283)		(2,295,002)	*4,336*
Other income	1,147,676		460,977	
Sponsorship and media costs	(268,307)	*(148,916)*	(657,363)	*(295,386)*
Personnel costs	(10,755,681)		(10,159,935)	
Selling, general and administrative costs, royalties expenses	(13,516,536)	*(2,093,734)*	(17,168,763)	*(2,278,898)*
Amortisation & depreciation	(3,967,682)	*(1,415,719)*	(4,373,895)	*(1,708,185)*
EBIT	**(10,611,945)**		**3,861,834**	
Net financial income (charges)	(208,387)	*913,884*	(94,050)	*223,211*
Dividends	3,000,000	*3,000,000*	7,000,000	*7,000,000*
Investment income (charges)	25,578,604	*25,578,604*	-	
PROFIT BEFORE TAXES	**17,758,272**		**10,767,784**	
Income taxes	2,318,741		387,712	
NET PROFIT FOR THE YEAR	**20,077,014**		**11,155,496**	

BASICNET S.p.A. – BALANCE SHEET AS AT DECEMBER 31, 2023 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)	**December 31, 2023**	*Of which Related parties Notes 22 & 28*	**December 31, 2022**	*Of which Related parties Notes 22 & 28*
Intangible assets	4,227,329		3,969,048	
Rights-of-use	3,564,117	*3,453,083*	7,072,144	*6,883,732*
Plant, machinery and other assets	1,822,148		1,966,254	
Equity invest. & other financial assets	137,834,060	*137,801,949*	112,250,455	*112,218,345*
Deferred tax assets	1,403,510		1,664,351	
Total non-current assets	**148,851,163**		**126,922,252**	
Net inventories	-		-	
Trade receivables	2,154,889		3,462,679	
Other current assets	75,150,808	*73,282,089*	48,285,960	*46,413,277*
Prepayments	652,806		3,277,898	
Cash and cash equivalents	1,525,834		541,699	
Total current assets	**79,484,336**		**55,568,236**	
TOTAL ASSETS	**228,335,499**		**182,490,488**	

(in Euro)	**December 31, 2023**	*Of which Related parties Notes 35 & 39*	**December 31, 2022**	*Of which Related parties Notes 35 & 39*
Share capital	31,716,673		31,716,673	
Treasury shares	(16,442,464)		(13,954,869)	
Other reserves	120,048,939		117,902,282	
Net Profit	20,077,014		11,155,496	
TOTAL SHAREHOLDERS' EQUITY	**155,400,162**		**146,819,583**	
Provisions for risks and charges	45,569		45,569	
Loans	2,426,994		5,472,715	
Payables for rights-of-use	3,670,479	*3,564,760*	7,124,087	*6,939,342*
Employee and Director benefits	1,750,460		1,218,015	
Total non-current liabilities	**7,893,502**		**13,860,386**	
Bank payables	26,152,370		4,630,255	
Trade payables	3,983,092		5,545,163	
Tax payables	3,554,607		5,161,019	
Other current liabilities	31,276,550	*29,191,763*	6,604,124	*3,864,320*
Accrued expenses	75,217		69,958	
Total current liabilities	**65,041,835**		**21,810,519**	
TOTAL LIABILITIES	**72,935,337**		**35,670,905**	
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	**228,335,499**		**182,490,488**	

BASICNET S.p.A. – CASH FLOW STATEMENT AS AT DECEMBER 31, 2023 PREPARED AS PER CONSOB RESOLUTION NO. 15519 OF JULY 27, 2006

(in Euro)	**December 31, 2023**		**December 31, 2022**	
		Of which related parties		*Of which related parties*
A) OPENING SHORT-TERM NET BANK DEBT	**536,445**		**(6,559,358)**	
B) CASH FLOW FROM OPERATING ACTIVITIES				
Net Profit for the year	20,077,014		11,155,496	
Amortisation & depreciation	3,967,682		4,373,895	
Write-back of impairment losses	(25,578,604)	*(25,578,604)*	-	
Changes in working capital:				
- (increase) decrease in trade receivables	1,307,790		2,949,117	
- (increase) decrease in inventories	-		(448,061)	
- (increase) decrease in other receivables	(19,412,724)	*(22,302,623)*	(4,303,385)	*(4,488,454)*
- increase (decrease) in trade payables	(1,562,071)		1,222,893	
- increase (decrease) in other payables	3,605,199		(215,613)	
Net changes in employee and director benefits	522,722		(1,015,574)	
Others, net	-		45,569	
	(17,072,993)		**13,734,959**	
C) CASH FLOW FROM INVESTING ACTIVITIES				
Investments in fixed assets:				
- tangible assets	(384,878)		(747,040)	
- intangible assets	(204,768)		(2,429,450)	
- financial assets	(5,000)		(5,047,030)	
Realisable value for fixed asset disposals:				
- tangible assets	15,818		161	
- intangible assets	-		-	
- financial assets	-		-	
	(578,829)		**(8,223,359)**	
D) CASH FLOW FROM FINANCING ACTIVITIES				
Net change in inter-company payables/receivables	15,099,883	*15,099,883*	21,022,852	*21,022,852*
Undertaking of finance leases			-	
Undertaking of finance leases	(45,721)		(53,585)	
New medium/long term loans			-	
Repayments of medium/long term loans	(3,812,500)		(5,468,750)	
Repayment of loans for rights-of-use	(3,453,608)		(1,316,606)	
Acquisition of treasury shares	(2,487,595)		(6,536,517)	
Distribution of dividends	(8,999,118)	*(8,999,118)*	(6,092,570)	*(6,092,118)*
	(3,698,658)		**1,554,824**	
E) CASH FLOW IN THE YEAR	**(21,350,480)**		**7,095,802**	
F) CLOSING SHORT-TERM NET BANK DEBT	**(20,814,035)**		**536,445**	

The undersigned herewith declares that the present financial statements reflect the underlying accounting entries.

On behalf of the Board of Directors

The Chairperson

Marco Daniele Boglione

EXPLANATORY NOTES

1. GENERAL INFORMATION

BasicNet S.p.A. – with registered office in Turin (Italy), listed on the Italian Stock Exchange since November 17, 1999, in addition to its main function of Parent Company, provides to its subsidiaries the "Powered by" services, overseeing the continuous and progressive development of the IT platform which enables communication between the various network licensees, as well as undertaking activities of conception, development and communication and the Groups' Information Technology systems. The Company coordinates and provides subsidiaries with administration, finance and control, legal and payroll management services.

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

The publication of the financial statements of BasicNet S.p.A. for the year ended December 31, 2023 was approved by the Board of Directors on March 8, 2024. 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 2023 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, 2023

IFRS 17 - Insurance contracts

In May 2017, the IASB issued IFRS 17 - Insurance Contracts, a complete new standard relating to insurance contracts which covers recognition and measurement, presentation and disclosure. IFRS 17 replaces IFRS 4 Insurance Contracts issued in 2005. IFRS 17 applies to all types of insurance contracts (for example: life, non-life, direct insurance, re-insurance) regardless of the type of entity that issues them, as well as certain guarantees and financial instruments with characteristics of discretionary participation; some exceptions apply with regards to the scope of application.

The general objective of IFRS 17 is to present an accounting model for insurance contracts that is more useful and consistent for insurers. In contrast to the provisions of IFRS 4, which are largely based on the maintenance of previous accounting standards, IFRS 17 provides a complete model for insurance contracts that covers all relevant accounting aspects.

IFRS 17 is based on a general model, supplemented by:

- a specific adaptation for contracts with direct participation features (the variable fee approach);
- a simplified approach (the approach to the allocation of premiums) mainly for short-term contracts.

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

Definition of Accounting Estimates – Amendments to IAS 8

The amendments to IAS 8 clarify the distinction between changes in accounting estimates and changes in accounting policies and error correction. They also clarify how entities should use valuation techniques and inputs to develop accounting estimates.

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

Disclosure of Accounting policies - Amendments to IAS 1 and IFRS Practice Statement 2

The amendments to IAS 1 and IFRS Practice Statement 2 Making Materiality Judgements provide guidance and examples to help entities apply judgements to accounting policy disclosures.

The amendments aim to assist entities provide information on Group accounting policies,

- replacing the requirement for entities to provide their "significant" accounting policies with a requirement to provide disclosures about their "material" accounting policies; in
- addition, guidance is added on how entities apply the concept of materiality in making accounting policy disclosure decisions.

The changes had an impact on the Company's disclosure of accounting policies, but not on the measurement, recognition and presentation of items in the Company's financial statements.

Deferred Tax related to Assets and Liabilities arising from a Single Transaction – Amendments to IAS 12

The amendments to IAS 12 Income Taxes narrow the scope of the exception to initial recognition, so that it no longer applies to transactions that give rise to equal taxable and deductible temporary differences, such as leases and decommissioning liabilities.

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

International Tax Reform – Pillar Two Model Rules – Amendments of IAS 12

The amendments to IAS 12 were introduced to respond to the OECD BEPS Pillar Two rules and include:

- a temporary mandatory exemption to the recognition and disclosure requirements for deferred taxes resulting from the implementation in jurisdictions of the Pillar Two rules; and
- disclosure requirements for affected entities to help financial statement users better understand the income tax impacts arising from this legislation, particularly before the effective date.

The temporary mandatory exemption - whose use is required to be disclosed - is immediately applicable. The remaining disclosure requirements apply for fiscal years beginning on or after January 1, 2023, but not for interim periods prior to December 31, 2023.

The change has no effect on the Company financial statements in that the Group is not affected by the Pillar Two rules, given that revenues are below Euro 750 million annually.

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, 2023 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 rare recognised when the control of the goods and services is transferred to the client for an amount which reflects the consideration that the Company expects to receive in exchange for these goods and services. The Company has concluded that generally it acts as the Principal for the agreements from which it receives revenues, as usually it controls the goods and services before their transfer to the customer. In calculating the sales transaction price for goods, the Company considers the effects from variable fees, significant financial components and non-monetary fees. Where the fee concluded in the contract includes a variable amount, such as that connected to a right of return, the Company estimates the amount of the fee to which it will be entitled in exchange for the transfer of the goods to the customer.

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

Recognition of costs and expenses

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

Interest income and expenses, and income and charges

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

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

Dividends

Dividends received

Dividends from investees are recognised in the income statement when the right to receive the dividend is established.

Dividends distributed

Dividends distributed are represented as changes in shareholders' equity in the year in which the Shareholders' AGM approves the distribution and payment.

Translation of balances in foreign currencies

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

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

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

Income taxes

Income taxes include all the taxes calculated on the assessable income of the Company. They are recognised to the income statement, except those relating to accounts directly credited or debited to equity, in which case the tax effect is recognised directly to equity.

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

Deferred taxes are calculated on all the temporary differences arising between the assessable income of an asset or liability and the relative book value in the financial statements, with the exception of the goodwill not fiscally deductible and of those differences deriving from investments in subsidiaries for which a write-down is not expected in the future.

Deferred tax assets on fiscal losses and unutilised tax credits carried forward are recognised only for those amounts for which it is probable there will be future assessable income to recover the amounts. The deferred tax assets and liabilities are offset when the income tax is applied by the same fiscal authority and when there is a legal right of compensation.

They are measured at the tax rates that are expected to apply to the period when the temporary difference is reversed.

The Company adhered to the tax consolidation in accordance with Article 117 and thereafter of the CFA – Presidential Decree No. 917 of December 22, 1986 together with all of the wholly-owned Italian subsidiary companies. BasicNet S.p.A. acts as the consolidating company and calculates a single assessable base for the Group of companies adhering to the national tax consolidation and therefore benefits from the possibility of offsetting assessable income with assessable losses in a single tax declaration.

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

Earnings per share/Diluted earnings per share

In accordance with paragraph 4 of IAS 33 – *Earnings per share*, this latter is only presented at consolidated financial statement level.

Provisions and contingent liabilities

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

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

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

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

Use of estimates

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

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

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

Intangible assets

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

Software development

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

Concessions, brands and similar rights

The patent rights are amortised over ten years.

Plant, machinery and other assets

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

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

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

Description	Estimated useful life years
Plant & machinery	4-8
Furniture and furnishings	5-8
Motor vehicles	4
EDP	5-8

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

Ordinary maintenance costs are fully charged to the income statement.

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

Leased assets

Usage right assets

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

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

Right-of-use assets are subject to impairment.

Lease liabilities

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

The variable lease payments not depending on an index or a rate are recognised as costs in the period in which the event or the condition generating the payment occurs. In calculating the present value of the payments due, the Company uses the incremental borrowing rate at the commencement date where the implicit interest rate cannot be readily determined.

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

Short-term leases and low value asset leases

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

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

Impairments

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

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

Measuring recoverable amount

The recoverable value of a non-financial asset is the higher of the fair value less costs to sell and the value in use. For the determination of the value in use, the future cash flows are discounted utilising a rate which reflects the current market value of money and of the related risks of the activity. In the case of activities which do not generate cash flows sufficiently independent, it is necessary to calculate the recoverable value of the cash-generating unit to which the asset belongs.

Write-back of value

The value is recovered when changes take place in the valuations to determine the recoverable value. The recoverable value is recorded in the income statement adjusting the book value of the asset to its recoverable value. This latter must not be above the value which would have been determined, net of depreciation, if no loss in value of the asset had been recorded in previous years.

Equity invest. & other financial assets

Investments in subsidiaries, associates and joint ventures

In the separate financial statements of BasicNet S.p.A. the investments in subsidiaries, associates and joint ventures are recorded at cost, adjusted for any loss in value; the cost includes any directly attributable accessory charges. The positive difference, arising on purchase, between the acquisition cost and the share of net equity of the investment of the Company is, therefore, included in the carrying value of the investment.

Where there is an indication of a loss, the carrying value of the investment must be compared with the recoverable value, represented by the higher between the fair value, net of selling costs, and the value in use. For non-listed investments, the fair value is determined with reference to binding sales agreement. The value in use is determined discounting the expected cash flows from the investment at the weighted average cost of capital, net of the financial debt. The cash flows are determined on the basis of reasonable and identifiable assumptions, represented by the best estimates of the future economic conditions.

Where an impairment loss exists, it is recognised immediately through the income statement. Where the reasons for the write-down no longer exist, the value of the investment is restored within the limit of the original cost through the income statement.

Where the share of losses pertaining to the company in the investment exceeds the carrying value of the investment, the value of the investment is written down and the share of further losses is recorded as a provision under liabilities if the Company has the obligation to cover such losses.

Other investments

Investments other than those in subsidiaries, associated companies and joint ventures are recognised under non-current assets or current assets if held within the equity of the Company for a period, respectively, of greater than, or not greater than, 12 months.

On acquisition, they are classified to the following categories:

- “financial assets available-for-sale” within non-current or current assets;
- “fair value assets with changes to the book value to the income statement”, within current assets if held-for-trading.

The other investments classified as “financial assets available-for-sale” are measured at fair value; the change to the values of these investments are recognised to a net equity reserve through the other comprehensive income statement items, which will be reversed to the income statement on sale or impairment.

Other non-listed investments classified as “financial assets available-for-sale” for which the fair value may not be reliably estimated are valued at cost, adjusted for impairments to the income statement, according to *IAS 39 – financial instruments: recognition and measurement.*

The reduction in value of other investments classified as “financial assets available-for-sale” may not be subsequently reversed.

Changes in the value of other investments classified as “financial assets at fair value with changes recorded in the income statement” are recognised directly to the Income Statement.

Other financial assets

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

Net inventories

Inventory is valued under the average weighted cost method.

Inventories are measured at the lower of purchase or production cost and their net realisable value.

Inventories include incidental charges and direct and indirect costs that can be reasonably allocated. Obsolete and slow-moving inventories are written down in relation to their possible utilisation or realisable value. When in future periods the reasons for the write-down no longer exist, they are restored to the original value.

Receivables and other current assets

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

Cash and Cash Equivalents

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

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

Accruals and prepayments

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

Treasury shares

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

Provisions for risks and charges

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

Employee benefits

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

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

On June 16, 2011, the IASB issued an amendment to IAS 19 *Employee Benefits.* The new version of IAS 19 requires, in particular, for post-employment benefits, the recognition of the changes of the actuarial gains/losses under other items of the Comprehensive Income Statement. The cost relating to employment services, as well as the interest on the “time value” component in the actuarial calculations remain in the profit and loss account.

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

Payables

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

Cash flow hedges and accounting of relative operations

It is recalled that the BasicNet S.p.A. does not undertake contracts for speculative purposes.

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

It is recalled that BasicNet S.p.A. does not undertake derivative contracts for speculative purposes.

The hedging may be of two types:

- Fair value hedges;
- Cash flow hedges.

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

The Company does not utilise fair value hedge instruments.

a) Fair value hedges
The changes in their fair value are recognised in the income statement, together with the changes in the fair value of the relative assets and liabilities hedged.
The Company does not utilise fair value hedge instruments.

b) Cash flow hedges
The part of the profit or loss of the hedge instrument, considered effective, is recorded directly in the comprehensive income statement; the non-effective part is however recorded immediately in the income statement. The accumulated amounts in the comprehensive income statement are recorded in the income statement in the year in which the scheduled hedge operation matures or the instrument hedged is sold, or when the effectiveness requirements for hedge accounting no longer exist.

c) Derivative financial instruments which do not have the effectiveness requirements for hedge accounting
The derivative financial instruments which do not comply with the requirements of IFRS 9 for the identification of the hedge, where present, are classified in the category of financial assets and liabilities measured at fair value through the profit and loss account.

Hierarchy of Fair Value according to IFRS 7

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

The IFRS 7 classification implies the following hierarchy:

- *level 1*: determination of fair value based on prices listed ("unadjusted") in active markets for identical assets or liabilities;
- *level 2*: determination of fair value based on other inputs than the listed prices included in "level 1" but which are directly or indirectly observable. This category includes the instruments with which the Company mitigates the risk deriving from fluctuations in interest rates and currencies;
- *level 3*: determination of fair value based on valuation models whose input is not based on observable market data ("unobservable inputs").

5. OTHER INFORMATION

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

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

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

6. OPERATIONS UNDER COMMON CONTROL

During the year, the Group substantially completed the corporate reorganisation project in order to bring under the direct control of BasicNet all of the individual brand-owning companies. The project, which does not entail any change in the Group's ownership structure or equity structure, is designed to ensure a closer focus on the individuals brands.

For the Company, the project resulted in the reclassification in the year of a portion of the value of the equity investment in BasicItalia S.r.l. (formerly "BasicItalia S.p.A.") to the equity investments in Sebago S.r.l. and Superga S.r.l., consistent with the values actually transferred as part of the proportional partial spin-offs involving the respective business units.

EXPLANATORY NOTES TO THE INCOME STATEMENT

7. 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*.

8. SERVICES TO GROUP COMPANIES

The “revenues for assistant services to Group companies” of Euro 14.6 million and originates from assistance and consultancy in administration and finance, payroll, commercial contract agreements and IT services provided by the Parent Company to the subsidiaries and include in addition the fees for the “Powered by” services.

9. ROYALTIES AND SOURCING COMMISSIONS

The breakdown of royalties and sourcing commissions by geographic area is reported below.

	FY 2023	FY 2022
Europe	320,217	7,754,649
The Americas	216,119	3,153,898
Asia and Oceania	1,571,166	11,692,976
Middle East and Africa	90,137	1,450,549
Total	**2,197,639**	**24,052,072**

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.

The reduction in the account in the year mainly concerns the transfers from BasicNet to the individual brand-owning subsidiaries of the management and development of the brands and of the related patents and moulds, know-how, models, warehouse samples and other activities linked to the business system, all contracts with the licensees, and the employment relationships with the personnel involved in the development of the collections and global marketing.

10. 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 2023	FY 2022
Net sales to third parties	78,777	988,930
Net sales to subsidiaries	81,768	1,643,511
Total direct sales	**160,545**	**2,632,441**

Sales to subsidiaries are detailed in Note 43.

11. COST OF SALES

The breakdown of the cost of sales is as follows:

	FY 2023	FY 2022
Samples purchased	142,498	1,883,562
Freight charges and accessory purchasing cost	41,198	539,491
Change in inventory of raw materials, ancillary, consumables and goods	-	(448,061)
Prototypes purchases and development	51,305	173,262
Other	9,281	146,748
Total cost of sales	**244,283**	**2,295,002**

Sample purchases were made by BasicNet S.p.A. for the exclusive resale to the licensees. The decrease in the year is mainly due to the transfer in the previous year from BasicNet of the sample inventory and other business system-related activities to the individual brand-owning subsidiaries.

12. OTHER INCOME

	FY 2023	FY 2022
Reversal of doubtful debts provision	794,835	-
Other income	352,841	460,977
Total other income	**1,147,676**	**460,977**

"Other income" in 2023 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.

13. SPONSORSHIP AND MEDIA COSTS

	FY 2023	FY 2022
Promotional expenses	196,370	403,847
Advertising	71,937	243,516
Communication contributions	-	10,000
Total sponsorship and media costs	**268,307**	**657,363**

Communication contributions are paid to commercial licensees for international communication and endorsement activities

14. PERSONNEL COSTS

	FY 2023	FY 2022
Wages and salaries	7,644,986	7,211,679
Social security charges	2,571,581	2,403,901
Post-employment benefits	539,114	544,355
Total	**10,755,681**	**10,159,935**

Personnel costs include all charges relating to the provision of employment services of BasicNet S.p.A.. The changes in the headcount during the year were as follows:

Category	Human resources at December 31, 2023				Human resources at December 31, 2022			
	Number		Average age		Number		Average age	
	Male/ Female	Total	Male/ Female	The media	Male/ Female	Total	Male/ Female	The media
Executives	15 / 5	20	50 / 54	51	14 / 5	19	48 / 53	49
White-collar	34 / 92	126	41 /40	40	33 / 80	113	42 / 43	42
Blue-collar	1 / 1	2	43 / 48	45	1 / 1	2	42 / 47	44
Total	**50 / 98**	**148**	**44 / 41**	**42**	**48 / 86**	**134**	**44 / 43**	**43**

The average number of Employees in 2023 was 140, comprising 20 executives, 118 white-collar employees and 2 blue-collar employees.

15. SELLING, GENERAL AND ADMINISTRATIVE COSTS AND ROYALTIES EXPENSES

The breakdown of service costs is presented in the table below:

	FY 2023	FY 2022
Commercial expenses	1,603,931	3,618,796
Rental, accessory and utility expenses	4,030,473	3,900,785
Directors and Statutory Auditors emoluments	2,836,715	3,182,538
Doubtful debt provision	-	399,887
Sales services	115,922	600,862
Professional consultants	1,178,770	1,625,215
Other general expenses	3,750,726	3,840,680
Total selling, general and administrative costs, and royalties	**13,516,536**	**17,168,763**

"Commercial expenses" include costs related to the commercial activities, travel expenses and consulting costs for stylistic and graphic material.

"Rental, accessory and utility expenses" principally relate to the offices of the company, owned by the subsidiary Basic Village S.p.A.

The company's remuneration policy, as well as Directors and Statutory Auditors emoluments for the offices held, pursuant to Article 78 of Consob Regulation No. 11971/99 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, to which reference should be made.

“Sales services” include expenses for exporting samples in addition to “royalties’ charges” principally relating to co-branding operations.

"Professional consultants" also decreased, due to the reduced impact of corporate transactions compared to the previous year.

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

16. AMORTISATION & DEPRECIATION

	FY 2023	FY 2022
Intangible assets	1,961,418	1,828,037
Rights-of-use	1,493,097	1,785,563
Property, plant and equipment	513,167	760,295
Total amortisation & depreciation	**3,967,682**	**4,373,895**

17. NET FINANCIAL INCOME/(CHARGES)

	FY 2023	FY 2022
Interest on bank deposits	8,235	1,050
Intercompany interest income	1,400,471	245,659
Bank interest charges	(332,967)	(4,059)
Interest on medium/long term loans	(224,244)	(174,714)
Medium/long term loan charges	(6,286)	(13,276)
Intercompany interest charges	(486,588)	(22,448)
Interest IFRS 16	(78,824)	(78,824)
IAS 19 interest	(11,243)	(11,243)
Commissions on loans and bank accounts	(53,540)	(79,560)
Other interest charges	(49,034)	(30,267)
Total financial income and charges	***165,981***	***(167,682)***
Exchange gains	248,407	1,038,150
Exchange losses	(622,775)	(964,518)
Net exchange gains/(losses)	***(374,368)***	***73,632***
Total financial income/(charges)	**(208,387)**	**(94,050)**

“Intercompany interest income and charges” derives from operations during the year and regulated through intercompany accounts, remunerated at market rates.

“Interest on medium/long-term loans” refers to the “Intesa Loan - FCG”, the “BNL Loan” and the “MPS Loan” as described at Note 33.

“Exchange gains realised” in 2023 amounted to Euro 202 thousand and “exchange losses realised” amounted to Euro 400 thousand. The translation of credit and debit balances at year-end resulted in the recognition of “unrealised exchange gains” of Euro 47 thousand and “unrealised exchange losses” of Euro 223 thousand.

18. DIVIDENDS

In 2023, the company received dividends from Kappa S.r.l. and Sebago S.r.l. of Euro 2.2 million and Euro 800 thousand respectively.

19. INVESTMENT INCOME

The account includes extraordinary and non-recurring income of Euro 25.6 million related to the write-back of the value of the investments in K-way S.p.A., Superga S.r.l., Sebago S.r.l. and Kappa S.r.l.

20. INCOME TAXES

The balance of taxes is positive for Euro 2.3 million and consists of the effect of IRES, whose assessable base was transferred to the Tax Consolidation for Euro 2.4 million, the release of deferred tax assets recognised in prior years on temporary differences for Euro 264 thousand, the provision for prior year taxes for Euro 44 thousand and the benefits resulting from the application of the "Patent Box" rule for Euro 207 thousand.

The reconciliation between the theoretical and actual rate is shown below:

	FY 2023	FY 2022
Profit before taxes	17,758,272	10,767,784
Income tax rate	24%	24.0%
Theoretical IRES	***(4,261,985)***	***(2,584,268)***
Permanent tax differences effect	6,676,068	1,279,038
Prior year taxes	(44,191)	44,187
Patent Box benefit	207,177	2,253,213
IRAP	-	(653,567)
Other changes	(258,328)	49,109
EFFECTIVE TAX CHARGE	**2,318,741**	**387,712**
Effective tax rate	***13.1%***	***3.6%***

The effective tax rate in the previous year was heavily influenced by the income resulting from the tax-neutral contribution of the K-Way business unit to K-Way S.p.A., while in the present year the tax effect of permanent differences and consequently the effective tax rate is determined by the release of write-downs of certain equity investments under the tax neutrality rules, as well as the receipt of dividends subject to the “participation exemption”.

EXPLANATORY NOTES TO THE BALANCE SHEET

21. INTANGIBLE ASSETS

The breakdown of intangible assets at December 31, 2023 compared to the previous year-end and the movements during the year are reported in the table below:

	December 31, 2023	December 31, 2022	Changes
Concessions, brands and similar rights	298,635	271,739	26,896
Other intangible assets	3,886,651	3,644,696	241,955
Industrial patents & intellectual property rights	42,043	52,613	(10,570)
Total intangible assets	**4,227,329**	**3,969,048**	**258,281**

The changes in the original costs of the intangible assets were as follows:

	Concessions, brands, similar rights	Other intangible assets	Industrial patents	Total
Historic cost at 1.1.2022	**5,097,956**	**37,786,743**	**211,177**	**43,095,876**
Investments	*57,425*	*1,932,643*	*660*	*1,990,728*
Divestments	-	-	-	-
Corporate transactions	*106,634*	*(81,118)*	*(42,329)*	*(16,813)*
Historic cost As at 31.12.2022	**5,262,015**	**39,638,268**	**169,508**	**45,069,791**
Investments	*138,844*	*2,080,855*	-	*2,219,698*
Divestments	-	-	-	-
Intercompany sales	-	-	-	-
Historic cost as at 31.12.2023	**5,400,858**	**41,719,122**	**169,509**	**47,289,489**

The changes in the relative accumulated depreciation provisions were as follows:

	Concessions, brands, similar rights	Other intangible assets	Industrial patents	Total
Acc. Amort. at 1.1.2022	**(4,885,157)**	**(34,324,866)**	**(118,201)**	**(39,328,224)**
Amortisation	*(90,015)*	*(1,725,282)*	*(12,740)*	*(1,828,037)*
Corporate transactions	*(15,103)*	*56,577*	*14,045*	*55,519*
Acc. Amort. As at 31.12.2022	**(4,990,275)**	**(35,993,571)**	**(116,896)**	**(41,100,742)**
Amortisation	*(111,949)*	*(1,838,900)*	*(10,570)*	*(1,961,418)*
Intercompany sales	-	-	-	-
Acc. Amort. as at 31.12.2023	**(5,102,223)**	**(37,832,471)**	**(127,466)**	**(43,062,159)**

The changes in intangible assets during 2023 are shown in the table below:

	Concessions, brands, similar rights	Other intangible assets	Industrial patents	Total
Net carry. amount at 1.1.2022	**212,798**	**3,461,876**	**92,977**	**3,767,651**
Investments	*57,425*	*1,932,643*	*660*	*1,990,728*
Divestments	-	-	-	-
Corporate transactions	*91,531*	*(24,541)*	*(28,284)*	*38,706*
Amortisation	*(90,015)*	*(1,725,282)*	*(12,740)*	*(1,828,037)*
Net carry. amount at 31.12.2022	**271,739**	**3,644,696**	**52,613**	**3,969,049**
Investments	*138,844*	*2,080,855*	-	*2,219,698*
Divestments	-	-	-	-
Intercompany sales	-	-	-	-
Amortisation	*(111,949)*	*(1,838,900)*	*(10,570)*	*(1,961,418)*
Net carry. amount at 31.12.2023	**298,635**	**3,886,651**	**42,043**	**4,227,330**

At December 31, 2023, the intangible assets report investments of Euro 2.2 million and amortisation of Euro 2.0 million.

The investments in “concessions, brands and similar rights” are due to the purchase of software licenses.

The breakdown of “other intangible assets” is as follows:

	December 31, 2023	December 31, 2022	Changes
Software development	3,883,476	3,640,405	243,070
Other intangible assets	3,175	4,291	(1,115)
Total other intangible assets	**3,886,651**	**3,644,696**	**241,995**

The account increased Euro 2.1 million, principally due to the implementation of new software programmes realised internally and decreased Euro 1.8 million due to the amortisation for the year.

22. RIGHT-OF-USE

The Company adopted IFRS 16 and utilised the exceptions under the standard on leasing contracts which, at the date of initial application, have a duration of equal to or less than 12 months and which do not contain a purchase option (“short-term leasing”) and on leases whose underlying asset is of a low value (“low value asset”).

	December 31, 2023	December 31, 2022	Changes
Rights-of-use	3,564,117	7,072,144	(3,508,027)
Total right-of-use	**3,564,117**	**7,072,144**	**(3,508,027)**

The carrying amount of the Intercompany Right-of-use, net of the related accumulated depreciation, is as follows:

	December 31, 2023	December 31, 2022	Changes
Intercompany Right-of-use	3,453,083	6,883,732	(3,430,649)
Total Intercompany Right-of-use	**3,453,083**	**6,883,732**	**(3,430,649)**

The changes in the right-of-use were as follows:

	Historic cost	Accumulated depreciation	Net carrying amount
Values at 1.1.2022	**10,591,357**	**(2,172,373)**	**8,418,984**
Investments	*438,723*	-	*438,723*
Disposals and other changes	-	-	-
Depreciation	-	*(1,785,563)*	*(1,785,563)*
Values As at 31.12.2022	**11,030,080**	**(3,957,936)**	**7,072,144**
Investments	-	-	-
Disposals and other changes	*(2,014,930)*	-	*(2,014,930)*
Depreciation	-	*(1,493,097)*	*(1,493,097)*
Values as at 31.12.2023	**9,015,150**	**(5,451,034)**	**3,564,116**

23. PLANT, MACHINERY AND OTHER ASSETS

The breakdown of plant, machinery and other assets at December 31, 2023 compared to the previous year is shown in the table below:

	December 31, 2023	December 31, 2022	Changes
Plant & machinery	7,000	11,978	(4,978)
Industrial & commercial equipment	112,137	113,085	(948)
Other assets	1,703,011	1,841,191	(138,180)
Total plant, machinery and other assets	**1,822,148**	**1,966,254**	**(144,106)**

The changes in the historical cost of plant, machinery and other assets were as follows:

	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Historic cost at 1.1.2022	**279,945**	**459,248**	**11,335,267**	**12,074,460**
Investments	*2,670*	*65,185*	*679,185*	*747,040*
Divestments	-	-	*(52,891)*	*(52,891)*
Conferments	-	-	*(2,582,608)*	*(2,582,608)*
Historic cost As at 31.12.2022	**282,615**	**524,433**	**9,378,953**	**10,186,001**
Investments	-	*29,756*	*355,123*	*384,878*
Divestments	-	-	*(117,701)*	*(117,701)*
Historic cost as at 31.12.2023	**282,615**	**554,189**	**9,616,374**	**10,453,178**

The changes in the relative accumulated depreciation provisions were as follows:

	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Acc. Amort. at 1.1.2022	**(261,827)**	**(378,808)**	**(8,569,922)**	**(9,210,557)**
Depreciation	*(8,811)*	*(32,540)*	*(718,944)*	*(760,295)*
Divestments	-	-	*52,731*	*52,731*
Conferments	-	-	*1,698,375*	*1,698,375*
Acc. Deprec. As at 31.12.2022	**(270,638)**	**(411,348)**	**(7,537,760)**	**(8,219,746)**
Depreciation	*(4,978)*	*(30,704)*	*(477,485)*	*(513,167)*
Divestments	-	-	*101,883*	*101,883*
Acc. Deprec. as at 31.12.2023	**(275,615)**	**(442,052)**	**(7,913,363)**	**(8,631,030)**

The changes in the plant and machinery are shown in the table below:

	Plant and machinery	Industrial and commercial equipment	Other assets	Total
Net book value at 1.1.2022	**18,119**	**80,440**	**2,765,343**	**2,863,902**
Investments	*2,670*	*65,185*	*679,185*	*747,040*
Divestments	-	-	*(160)*	*(160)*
Depreciation	*(8,811)*	*(32,540)*	*(718,944)*	*(760,295)*
Conferments	-	-	*(884,233)*	*(884,233)*
Net book value at 31.12.2022	**11,978**	**113,085**	**1,841,191**	**1,966,254**
Investments	-	*29,756*	*355,123*	*384,878*
Divestments	-	-	*(15,818)*	*(15,818)*
Depreciation	*(4,978)*	*(30,704)*	*(477,485)*	*(513,167)*
Net book value at 31.12.2023	**7,000**	**112,137**	**1,703,011**	**1,822,148**

This account "other assets" consist of:

	December 31, 2023	December 31, 2022	Changes
EDP	729,202	810,876	(81,674)
Furnishings and fittings	350,510	436,603	3,907
Motor vehicles	18,187	24,931	(6,744)
Other assets	605,111	658,781	(53,669)
Total other assets	**1,703,011**	**1,841,191**	**(138,180)**

Additions in the year relates to the acquisition of EDP for Euro 218 thousand, Furniture, fittings and telephone for Euro 88 thousand, telephones for Euro 28 thousand and other minor assets.

The account "other assets" includes the purchase cost of an IT collection comprising rare pieces which represents significant elements and representative of the IT revolution, in the 1970's and 1980's with the advent of the new personal computer. This collection is utilised in many events related to the promotion of the brands and logos of the Group.

The net book value of property, plant and equipment acquired according to the finance lease formula is reported below:

	Net value at December 31, 2023	Net value at December 31, 2022	Changes
EDP	50,300	84,500	(34,200)
Motor vehicles	8,092	24,275	(16,183)
Total	**58,391**	**107,775**	**(50,383)**

The net book value at December 31, 2023 of property, plant and equipment acquired according to the finance lease formula relates to EDP for approx. Euro 50 thousand and motor vehicles for approx. Euro 8 thousand.

24. 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, 2023	December 31, 2022	Changes
Investments in:			
- Subsidiaries	137,801,949	112,218,345	25,583,604
- Other companies	127	127	-
Total investments	***137,802,077***	***112,218,472***	***25,538,604***
Receivables:			
- Other receivables	31,983	31,983	-
Total financial receivables	***31,983***	***31,983***	**-**
Total investments & other financial assets	**137,834,060**	**112,250,455**	**25,583,604**

In line with the practice adopted by other large listed groups in Italy, BasicNet S.p.A. identifies in the negative differential between the share of net equity held in the subsidiary and its book value an indicator of an impairment for the investments of control in its financial statements. In such cases, the company verifies for additional indicators of impairment and investigates their possible origin, undertaking an impairment test where appropriate. At December 31, 2023, it was not necessary to carry out an impairment test of a number of investments held.

The increase of Euro 25.6 million is related to the reversal of write-downs made in previous years.

Other receivables refer to guarantee deposits.

25. DEFERRED TAX ASSETS

The breakdown is shown below:

	December 31, 2023	December 31, 2022	Changes
Deferred tax assets	1,403,510	1,664,351	(260,841)
Total deferred tax assets	**1,403,510**	**1,664,351**	**(260,841)**

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, 2023** Temporary differences	Rate %	Tax effect	**2022** Temporary differences	Rate %	Tax effect
Deferred tax assets:						
- Excess doubtful debt provision not deductible	(5,338)	24.0%	(1,281)	(6,004)	24.0%	(1,441)
- Inventory obsolescence provision	(288)	29.57%	(85)	(285)	24.0%	(84)
- Misc. charges temporarily non-deductible	(66)	24.0%	(16)	(539)	24.0%	(129)
- Prudent exchange differences, net	(176)	24.0%	(42)	(178)	24.0%	(43)
Total	**(5,868)**		**(1,424)**	**(7,005)**		**(1,697)**
Deferred tax liabilities:						
- Effect IAS 19 – Employee Benefits	87	24.0%	21	137	24.4%	33
Total	**87**		**21**	**137**		**33**
Deferred tax liabilities (asset) as per financial statements			**(1,403)**			**(1,664)**

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 1.3 million) and other minor items (approx. Euro 122 thousand).

26. NET INVENTORIES

The composition of the item is as follows:

	December 31, 2023	December 31, 2022	Changes
Finished products and goods	286,156	282,877	3,279
Gross value	***286,156***	***282,877***	***3,279***
Inventory obsolescence provision	(286,156)	(282,877)	(3,279)
Total net inventories	**-**	**-**	**-**

"Inventories" includes samples to be sold to licensees. At December 31, 2023, they were fully written down.
The movements in the provision during the year were as follows:

	December 31, 2023	2022
Inventory obsolescence provision at 01.01	**282,877**	**1,397,060**
Provisions in the year		(386,953)
Utilisations	3,279	
Conferment to Kappa S.r.l..		(586,840)
Conferment to Superga S.r.l.		(64,776)
Conferment to Sebago S.r.l.		(75,614)
Inventory obsolescence provision at 31.12	**286,156**	**282,877**

27. TRADE RECEIVABLES

	December 31, 2023	December 31, 2022	Changes
Trade receivables - Italy	63,448	188,067	(124,618)
Trade receivables - Abroad	7,826,892	9,847,387	(2,020,495)
Doubtful debt provision	(5,735,452)	(6,572,775)	837,323
Total trade receivables	**2,154,889**	**3,462,679**	**(1,307,790)**

In particular, the breakdown of foreign receivables is as follows:

	December 31, 2023	December 31, 2022	Changes
Asia and Oceania	6,419,761	7,461,157	(1,041,395)
The Americas	967,371	1,626,189	(658,819)
Europe	334,653	333,843	810
Middle East and Africa	105,108	426,198	(321,091)
Total	**7,826,892**	**9,847,387**	**(2,020,495)**

"Trade receivables" were written down to their realisable value through the doubtful debt provision, although the majority of the receivables are secured by bank guarantees.

The provision at the end of the year represents a prudent estimate of the risk. The movements in the doubtful debt provision during the year were as follows:

	FY 2023	FY 2022
Doubtful debt provision at 01.01	**6,572,775**	**5,949,569**
Utilization for administration procedures and other losses	(42,488)	(170,937)
Release to contingency	(794,835)	-
Adjustment of provision on foreign currency receivables	-	394,256
Provisions in the year	-	399,887
Doubtful debt provision at 31.12	**5,735,452**	**6,572,775**

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.

28. OTHER CURRENT ASSETS

	December 31, 2023	December 31, 2022	Changes
Receivables from Group companies	73,282,089	46,413,277	26,868,812
Tax receivables	494,736	777,851	(283,116)
Other receivables	1,373,983	1,094,832	279,151
Total other current assets	**75,150,808**	**48,285,960**	**26,864,848**

The breakdown of "receivables from Group companies" is as follows:

	December 31, 2023	December 31, 2022	Changes
Trade receivables			
Basic Village S.p.A.. with sole shareholder	596,256	2,215	594,041
BasicAir S.r.l. with sole shareholder	32,579	5	32,575
BasicItalia S.r.l. with sole shareholder	1,365,830	424,477	941,353
BasicNet Asia Company Ltd. (Vietnam)	66,249	66,173	76
Fashion S.r.l.	297	297	-
Jesus Jeans S.r.l. with sole shareholder	19,728	726	19,002
Kappa France S.a.s.	3,044,912	2,944,565	100,347
Kappa S.r.l.	10,330,780	2,266,661	8,064,120
KappaRetail S.r.l. with sole shareholder	789,381	54	789,327
K-Way France S.a.s.	6,611	6,611	-
K-Way S.p.A. with sole shareholder	7,946,951	1,885,237	6,061,713
K-WayRetail S.r.l. with sole shareholder	3,009,980	5,429	3,004,551
K-WayRetail SUISSE S.A.	-	9,000	(9,000)
Sebago Retail S.r.l.	1,712	-	1,712
Sebago S.r.l. with sole shareholder	1,011,666	154,021	857,645
Superga Retail S.r.l.	8,351	-	8,351
Superga S.r.l. with sole shareholder	1,837,672	-	1,837,672
BasicRetail S.r.l. with sole shareholder	-	863	(863)
Total trade receivables	***30,068,956***	***7,766,333***	***22,302,623***
Financial receivables			
Basic Village S.p.A.. with sole shareholder	8,078,483	1,113,532	6,964,951
BasicItalia S.r.l. with sole shareholder	11,536,000	-	11,536,000
KappaRetail S.r.l. with sole shareholder	9,645	-	9,645
K-Way S.p.A. with sole shareholder	6,024,828	24,692,066	(18,667,238)
K-WayRetail S.r.l. with sole shareholder	4,161,547	3,689,342	472,204
Kappa France S.a.s.	-	1,400,000	(1,400,000)
Sebago S.r.l. with sole shareholder	9,234,003	7,752,003	1,482,000
Superga S.r.l. with sole shareholder	4,168,627	-	4,168,627
Total financial receivables	***43,213,133***	***38,646,944***	***4,566,190***
Total	**73,282,089**	**46,413,277**	**26,868,812**

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.

No receivables have a residual duration of above 5 years.

The account "tax receivables" includes mainly withholdings on royalties totalling Euro 21 thousand and the IRAP advance for Euro 307 thousand and IRES receivables for Euro 166 thousand.

The account "other receivables" for Euro 1 million includes the premium paid to the insurance company against the Directors Termination Indemnities for the Chairman of the Board of Directors of Euro 1.5 million, as approved by the Shareholders' Meeting for the 2022-2024 three-year mandate, as described in the Remuneration Report to which reference should be made and other minor amounts.

29. PREPAYMENTS

The table below shows the breakdown of the account:

	December 31, 2023	December 31, 2022	Changes
Expenses pertaining to future collections	-	2,632,872	(2,632,872)
Rentals, leases, hire and other	7,411	389,808	(382,397)
Assistance and maintenance contract	441,455	228,225	213,230
Other	203,940	26,993	176,947
Total prepayments	**652,806**	**3,277,898**	**(2,625,092)**

Prepayments include sample costs, trade fairs and exhibitions for future collections and the relative sales meetings.

30. CASH AND CASH EQUIVALENTS

	December 31, 2023	December 31, 2022	Changes
Bank and postal deposits	1,518,569	533,979	984,590
Cash in hand and similar	7,265	7,720	(456)
Total cash and cash equivalents	**1,525,834**	**541,699**	**984,135**

"Bank deposits" refer to temporary current account balances principally due to receipts from clients.

31. SHAREHOLDERS' EQUITY

	December 31, 2023	December 31, 2022	Changes
Share capital	31,716,673	31,716,673	-
Treasury shares	(16,442,464)	(13,954,869)	(2,487,595)
Legal reserve	6,343,335	6,343,335	-
Treasury shares in portfolio reserve	16,442,464	13,954,869	2,487,595
Other reserves:			
- cash flow hedge reserve	-	-	-
- remeasurement reserve for defined benefit plans (IAS 19)	(65,826)	(56,104)	(9,722)
- conferment reserve	60,903,373	60,903,373	-
- merger reserve	264,495	264,495	-
- retained earnings	36,161,100	36,492,316	(331,217)
- unrealised exchange gains reserve	-	-	-
Net profit	20,077,014	11,155,496	8,921,517
Total Shareholders' Equity	**155,400,162**	**146,819,583**	**8,580,579**

The account includes:

- the *"share capital"*, which amounts to Euro 31,716,673.04, comprising 54,000,000 ordinary shares without par value;
- the "*legal reserve*", amounting to approx. Euro 6,343,335, did not record further increases in the year;
- The "*reserve for treasury shares in portfolio*", amounting to Euro 16,442,464, which equates to the carrying value of the BasicNet shares held in portfolio at year-end, and was set up through utilisation of the "Retained earnings" following the Shareholders' AGM resolution, which authorised the purchase of treasury shares;
- The "*re-measurement reserve for employee defined benefit plans (IAS 19*)" refers to the changes in the actuarial gains/losses ("*re-measurement*"). The valuation is shown net of the tax effect. This reserve is not available for distribution;
- The "*retained earnings*", which decreased compared to the end of the previous year following the allocation of the result for the previous year, as approved by the Shareholders' AGM of April 13, 2023, net of the decrease for the acquisition of treasury shares and the reclassification of the exchange gains and IFRS 16 reserves of the previous year;
- the "*conferment reserve*", amounting to approx. Euro 60,903,373, did not record further increases in the year;
- the "*merger reserve*", amounting to approx. Euro 264,495, did not record further increases in the year;

Pursuant to Article 110 of Legislative Decree No. 104/2020, which allowed for the partial realignment of the tax value of the brands then the portfolio to the higher value recorded in the financial statements, the Company in 2020 tied up its reserves subject to tax suspension for an amount of Euro 5.2 million equal to the higher values realigned.

In April 2023, as approved by the Shareholders' Meeting of BasicNet S.p.A. of April 13, 2023, in relation to the allocation of the 2022 net profit, a dividend of Euro 0.18 per share was distributed to each of the ordinary shares in circulation, for a total pay-out of approx. Euro 9 million.

Based on the share buy-back programme, at the reporting date the Company held 4,398,200 shares, equal to 8.14% of the share capital and 6.36% of the total voting rights, for a total investment of approx. Euro 16.5 million. The weighted average number of shares outstanding in the year was 49,626,500.

The other gains and losses recorded directly in equity in accordance with IAS 1 are reported below and recognised to the Comprehensive Income Statement.

(Euro thousands)	**December 31, 2023**	**December 31, 2022**	**Changes**
Re-measurement of post-employment benefits (IAS 19) (*)	*(13)*	*107*	*(119)*
Tax effect relating to the Other items of the comprehensive income statement	*3*	*(26)*	*29*
Total other gains/(losses), net of tax effect	**(10)**	**81**	**(91)**

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

The tax effect relating to "Other gain/losses" is as follows:

(Euro thousands)	**December 31, 2023**			**December 31, 2022**		
	Gross value	**Tax effect**	**Net value**	**Gross value**	**Tax effect**	**Net value**
Re-measurement of post-employment benefits (IAS 19) (*)	(13)	3	10	107	(26)	81
Total other gains/(losses), net of tax effect	**(13)**	**3**	**10**	**107**	**(26)**	**81**

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

The statement on the availability of the reserves at December 31, 2023 is shown below:

STATEMENT ON UTILISATION AND DISTRIBUTION OF RESERVES AS PER ART. 2427 OF THE C.C. NO.7-*BIS*

		December 31, 2023	**December 31, 2022**	**Changes**
Share capital		31,716,673	31,716,673	-
Treasury shares		(16,442,464)	(13,954,869)	(2,487,595)
Share premium reserve		-	-	-
Legal reserve	B	6,343,335	6,343,335	-
IAS adjustment reserve		-	-	-
Reserve for treasury shares in portfolio		16,442,464	13,954,869	2,487,595
Ordinary reserve		-	-	-
Extraordinary reserve		-	-	-
Other reserves:				
Cash Flow Hedge Reserve	D	-	-	-
Re-measurement reserve of post-employment benefits (IAS 19)	D	(65,826)	(56,104)	(9,722)
Conferment reserve	A, B	60,903,373	60,903,373	-
Merger reserve	A, B	264,495	264,495	-
Retained earnings	A,B,C	36,161,100	36,492,316	(331,217)
Exchange gains reserve		-	-	-
Profit for the period		20,077,014	11,155,496	8,921,517
Total		**155,400,162**	**146,819,583**	**8,580,579**

Key: A: for share capital increase, B: for coverage of losses - C: for distribution to shareholders - D: non utilisable

32. PROVISION FOR RISKS AND CHARGES

	December 31, 2023	December 31, 2022	Changes
Provision for contractual risks	45,569	45,569	-
Total Provision for risks and charges	**45,569**	**45,569**	**-**

The account includes the "Provision for contractual risks", which reflects the provisions set aside for commercial disputes whose risk of occurrence is considered at least probable.

33. LOANS

The changes in the medium/long-term loans during the year are shown below:

(Euro thousands)	31/12/2022	New Loans	Repayments	31/12/2023	Medium current	Medium medium/long term
"Intesa Loan - FCG"	5,156	-	(1,375)	3,781	1,375	2,406
"MPS Loan"	4,875	-	(2,438)	2,438	2,438	-
Balance	**10,031**	**-**	**(3,813)**	**6,219**	**3,813**	**2,406**

The maturity of the long-term portion of loans is highlighted below:

	December 31, 2023	December 31, 2022	Changes
Loans:			
- "Intesa Loan - FCG"	2,406,250	3,781,250	(1,375,000)
- "MPS Loan"	-	1,625,000	-
Total medium/long-term loans	***2,406,250***	***5,406,250***	***(3,000,000)***
- Other lenders	20,744	66,465	(45,721)
Total other financial payables	***20,744***	***66,465***	***(45,721)***
Total loans	**2,426,994**	**5,472,715**	**(3,045,721)**

The "Intesa Loan - FCG" was disbursed in October 2020 for Euro 5.5 million, has a duration of six years, including a two-year grace period, and is repayable in quarterly 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 "MPS Loan" was issued in July 2017 for Euro 13 million and is of six-year duration, repayable in quarterly instalments from December 2019 at a quarterly Euribor rate (although not below zero) plus 170 basis points. No financial covenants are stipulated, although the maintenance of a number of ownership conditions are required concerning BasicNet S.p.A., in particular that the overall investment (direct or indirect) of BasicWorld S.r.l. in BasicNet S.p.A. should not reduce below 30%. The loan is supported by a pledge on the shares of Sebago S.r.l. (previously "TOS S.r.l."), owner of the Sebago brand, with obligation to maintain the full investment in the company by the Group.

"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, 2023	December 31, 2022	Changes
Medium/long term loans:			
- due within 5 years	2,406,250	5,406,250	(3,000,000)
- due beyond 5 years	-	-	
Total medium/long term loans	***2,406,250***	***5,406,250***	***(3,000,000)***
Leasing payables	20,744	66,465	(45,721)
Total leasing payables (maturity within 5 years)	***20,744***	***66,465***	***(45,721)***
Total loans	**2,426,994**	**5,472,715**	**(3,045,721)**

34. BANK PAYABLES

	December 31, 2023	December 31, 2022	Changes
Bank payables due within one year:			
- short-term portion of medium/long-term loans	3,812,500	4,625,000	(812,500)
- bank overdrafts and bills	22,000,000	-	22,000,000
- interest expense on loans	339,870	5,255	334,616
Total bank payables	**26,152,370**	**4,630,255**	**21,522,116**

The average interest rates for BasicNet S.p.A. were:

	December 31, 2023	2022
cash advances	4.32%	1.90%
medium-term loan	3.40%	2.47%

"Bank payables" include the short-term portion of loans, outlined at Note 33 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.

35. PAYABLES FOR RIGHT-OF-USE

	December 31, 2023	December 31, 2022	Changes
Payables for rights-of-use	3,670,479	7,124,087	(3,453,608)
Total payables for right-of-use	**3,670,479**	**7,124,087**	**(3,453,608)**

Payables for right-of-use are recognised from 2023 in accordance with IFRS 16. During the year, payables for Euro 3.9 million were settled.

36. EMPLOYEE AND DIRECTOR BENEFITS

The account includes the post-employment benefits for employees of Euro 964 thousand and the termination indemnities of Directors of Euro 833 thousand.

The changes in the year of the post-employment benefit liability were as follows:

	December 31, 2023			December 31, 2022		
	Defined benefit plans	**Defined contrib. plans**	**Total**	**Defined benefit plans**	**Defined contrib. plans**	**Total**
Change in the balance sheet:						
Net liabilities recognized at begin. of year	884,683	-	884,683	1,082,927	-	1,082,927
Interest	36,800	-	36,800	11,243	-	11,243
Pension cost, net of withholdings	-	382,479	382,479	6,330	487,911	494,241
Benefits paid	(19,983)	-	(19,983)	(31,833)	-	(31,833)
Payments to the INPS treasury fund	-	(235,822)	(235,822)	-	(329,589)	(329,689)
Payments to other supp. pension fund	-	(146,657)	(146,657)		(158,222)	(158,222)
- Actuarial gains/(losses)	(12,792)	-	(12,792)	(106,649)	-	(106,649)
Internal transfers to the Group	28,417	-	28,417	(77,336)	-	(77,336)
Net liabilities recognised in the accounts	**917,126**	**-**	**917,126**	**884,683**	**-**	**886,683**
Change in the income statement:						
Interest	36,800	-	36,800	11,243	-	11,243
Pension Cost	-	382,479	382,479	6,330	487,911	494,241
Total charges/(income) for post-employment benefits	**36,800**	**382,479**	**419,280**	**17,573**	**487,911**	**505,484**

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, 2023	**December 31, 2022**
discount rate	3.39%	4.14%
inflation rate:	2.00%	2.30%
annual increase in post-employment benefit	3.00%	3.23%
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 50 thousand.

37. TRADE PAYABLES

	December 31, 2023	December 31, 2022	Changes
Trade payables - Italy	3,505,858	4,314,380	(808,523)
Trade payables - Foreign	477,234	1,230,783	(753,548)
Total trade payables	**3,983,092**	**5,545,163**	**(1,562,071)**

"Trade payables" are all due in the short-term period.

In particular, the breakdown of foreign suppliers is as follows:

	December 31, 2023	December 31, 2022	Changes
Europe	63,358	209,439	(146,081)
The Americas	199,731	185,564	14,167
Asia and Oceania	188,343	813,038	(624,696)
Middle East and Africa	25,804	22,742	3,062
Total	**477,234**	**1,230,783**	**(753,548)**

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.

38. TAX PAYABLES

The breakdown of this account is shown in the following table:

	December 31, 2023	December 31, 2022	Changes
Tax payables:			
IRES	-	3,519,075	(3,519,075)
VAT	3,285,235	1,131,369	2,153,866
Withholding taxes	3,091	11,501	(8,410)
Employee contributions	266,281	295,027	(28,747)
IRAP Taxes	-	150,948	(150,948)
Tax payables	-	53,099	(53,099)
Total tax payables	**3,554,607**	**5,161,019**	**(1,606,412)**

The VAT payable is consequent of the transfers of balances by the companies within the Group VAT consolidation.

39. OTHER CURRENT LIABILITIES

	December 31, 2023	December 31, 2022	Changes
Payables to Group companies	29,191,763	3,864,320	25,327,443
Other liabilities	1,813,565	2,297,655	(484,089)
Accrued expenses	271,221	242,149	29,072
Total other current liabilities	**31,276,550**	**6,404,124**	**24,872,426**

“Other payables” at December 31, 2023 principally include payables to social security institutions of Euro 370 thousand for the year 2023 and paid in 2024, employee, consultant and director payables of approx. Euro 1.1 million, which include vacation days matured at December 31, 2023 and other items of Euro 74 thousand and were fully repaid during the year. All payables are due within one year.

The “accrued expenses” refer to employee costs for the 14th month of the year.

The breakdown of “Payables to Group companies” are shown below:

	December 31, 2023	December 31, 2022	Changes
Trade payables:			
BasicItalia S.r.l. with sole shareholder	1,321,545	1,455	1,320,090
Basic Village S.p.A.. with sole shareholder	958,740	162,424	796,316
Basic Properties America INC	893,224	930,581	(37,357)
BasicNet Asia Ltd.	276,879	404,980	(128,101)
BasicRetail S.r.l. with sole shareholder	-	68	(68)
Kappa S.r.l.	2,623,066	46,498	2,576,568
Jesus Jeans S.r.l. with sole shareholder	36,523	12,000	24,523
Sebago S.r.l. with sole shareholder	141,558	0	141,558
BasicAir S.r.l. with sole shareholder	20,996	185	20,811
Kappa France S.a.s.	1,746	1,746	-
K-Way S.p.A. with sole shareholder	383,574	6,141	377,434
K-WayRetail S.r.l. with sole shareholder	49,535	0	49,535
Superga S.r.l. with sole shareholder	468,352	0	468,352
KappaRetail S.r.l. with sole shareholder	42,335	275	42,060
Sebago Retail S.r.l.	8,721	-	8,721
Superga Retail S.r.l.	523	-	523
K-Way Iberia S.L.	405		405
Trade payables	***7,227,723***	***1,566,353***	***5,661,370***
Financial payables			
BasicItalia S.r.l. with sole shareholder	-	572,118	(572,118)
BasicRetail S.r.l. with sole shareholder	-	26,512	(26,512)
Kappa S.r.l.	21,682,990	1,091,378	20,591,612
BasicAir S.r.l. with sole shareholder	281,051	66,051	215,000
Superga S.r.l. with sole shareholder	-	472,095	(472,095)
KappaRetail S.r.l. with sole shareholder	-	69.81	(69,814)
Total financial payables	***21,964,041***	***2,297,968***	***19,666,073***
Total	**29,191,763**	**3,864,320**	**25,327,443**

40. DEFERRED INCOME

	December 31, 2023	December 31, 2022	Changes
Royalties	75,217	69,958	5,258
Total deferred income	**75,217**	**69,958**	**5,258**

"Deferred income" for royalties refer to invoicing for revenues which will mature in the following year.

41. GUARANTEES GIVEN AND OTHER CONTINGENT ASSETS

The details of the guarantees given are as follows:

	December 31, 2023	December 31, 2022	Changes
- Guarantees to: subsidiaries	165,798,725	128,740,600	37,058,125
Total	**165,798,725**	**128,740,600**	**37,058,125**

- *Sureties given on behalf of subsidiaries*

The sureties provided, amounting to Euro 166 million, concern guarantees provided in favour of BasicItalia S.r.l., of the Kappa Europe Group, of Kappa S.r.l. and of K-Way S.p.A., Sebago S.r.l. and Superga S.r.l. to various credit institutions, to guarantee commercial credit lines.

Finally, the shares of Sebago S.r.l. are subject to a pledge in favour of MPS Capital Services Banca per le Imprese S.p.A. as guarantee of the loan issued in July 2017.

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:

(Euro thousands)	**Financial instruments at fair value recorded through:**		**Financial instruments at amortised cost**	**Non-listed investments valued at cost**	**Book value at 31.12.2023**	**Fair value As at 31.12.2023**
	Income Statement	**Shareholders' Equity**				
Assets:						
Equity invest. & other financial assets	-	-	-	137,834	137,834	137,834
Cash and cash equivalents	-	-	1,526	-	1,526	1,526
Trade receivables	-	-	2,155	-	2,155	2,155
Other current assets	-	-	75,151	-	75,151	75,151
Derivative financial instruments	-	-	-	-	-	-
Liabilities:						
Medium/long-term loans	-	-	2,427	-	2,427	2,427
Bank payables	-	-	26,152	-	26,152	26,152
Trade payables	-	-	3,983	-	3,983	3,983
Other current liabilities	-	-	31,277	-	31,277	31,277
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 2023, exchange losses were recorded of Euro 198 thousand, while unrealised exchange losses were recorded of Euro 176 thousand, for net exchange losses of Euro 374 thousand (Note 17).

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, 2023 is shown below:

	December 31, 2023	%	December 31, 2022	%
Fixed rate	4,121,120	14.4%	5,161,505	51.1%
Variable rate	24,458,244	85.6%	4,941,465	48.9%
Gross debt	**28,579,364**	**100.0%**	**10,102,969**	**100.0%**

Where at December 31, 2023 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 +60 thousand and Euro -60 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. 73% of trade receivables at December 31, 2023.

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:

(in thousands of Euro)	Net book value	Future interest income/ (expense)	Contractual cash flows	Within 1 year	From 1 to 5 years	Beyond 5 years
"Intesa Loan - FCG"	3,781	60	3,842	1,410	2,432	-
"MPS Loan"	2,438	35	2,472	1,660	813	-
Lease payables	21	1	22	14	8	-
Payables for rights-of-use	3,670	52	3,722	1,308	2,414	-
Total financial liabilities	**9,910**	**139**	**10,058**	**4,391**	**5,667**	**-**

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;
- 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., Kappa S.r.l., Superga S.r.l. and Sebago S.rl.;
- 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.r.l. for gifts and promotional expenses;
- Financial income and charges matured on loans within the treasury centralised management system, at market rates.

The income statement effects deriving from these transactions are summarised as follows:

REVENUES

BasicNet Group companies	Other income	Royalty income	Direct sales	Financial income	Dividends	Investment income	Total
BasicItalia S.r.l. with sole shareholder	346,200	-	15,892	191,400	-	-	553,492
Kappa S.r.l. with sole shareholder	8,911,800	30,000	18,675	-	2,200,000	3,345,349	14,505,824
Kappa France S.a.s.	20,000	-	47,125	31,232	-		98,357
Sebago S.r.l. with sole shareholder	993,164	-	-	351,847	800,000	8,204	2,153,216
Basic Village S.p.A.. with sole shareholder	25,000	-	-	155,073	-		180,073
BasicNet Asia Company Limited (Vietnam) Ltd		-	76	-	-		76
Jesus Jeans S.r.l. with sole shareholder	6,000	-	-	-	-		6,000
K-Way S.p.A. with sole shareholder	2,276,962	-	-	525,253	-	21,967,652	24,769,867
K-WayRetail S.r.l. with sole shareholder	185,000	-	-	130,905	-		315,905
KappaRetail S.r.l. with sole shareholder	205,000	-	-	257	-		205,257
BasicAir S.r.l. with sole shareholder	10,000	-	-	-	-		10,000
BasicRetail S.r.l. with sole shareholder	60,000	-	-	688	-		60,688
Superga S.r.l. with sole shareholder	1,555,559	-	-	13,815	-	257,398	1,826,773
Superga Retail S.r.l. with sole shareholder	30,000	-	-	-	-		30,000
Sebago Retail S.r.l. with sole shareholder	10,000	-	-	-	-		10,000
Total revenues	**14,634,685**	**30,000**	**81,768**	**1,400,471**	**3,000,000**	**25,578,604**	**44,725,528**

COSTS

BasicNet Group companies	Cost of sales	Cost of sponsorship	Selling, general and administrative costs, royalties expenses	Financial charges	Total
BasicItalia S.r.l. with sole shareholder	-	(22,850)	-	(189)	(23,039)
Kappa S.r.l. with sole shareholder	-	(25,504)	-	(439,849)	(465,353)
Sebago S.r.l. with sole shareholder	-	(1,828)	-	-	(1,828)
BasicNet Asia Ltd. (Hong Kong)	-	-	(956,296)	-	(956,296)
Basic Village S.p.A.. with sole shareholder	-	-	(674,176)	-	(674,176)
BasicNet Asia Company Limited (Vietnam) Ltd	-	-	(451,262)	-	(451,262)
Jesus Jeans S.r.l. with sole shareholder	-	-	(12,000)	-	(12,000)
K-Way S.p.A. with sole shareholder	-	(41,409)	-	-	(41,409)
K-WayRetail S.r.l. with sole shareholder	-	(13,568)	-	-	(13,568)
KappaRetail S.r.l. with sole shareholder	-	(19,801)	--	(381)	(20,182)
BasicAir S.r.l. with sole shareholder	-	-	-	(6,045)	(6,045)
BasicRetail S.r.l. with sole shareholder	-	(16,796)	-	(145)	(16,940)
Superga S.r.l. with sole shareholder	-	(600)	-	(39,979)	(40,578)
Superga Retail S.r.l. with sole shareholder	-	(274)	-	-	(274)
Sebago Retail S.r.l. with sole shareholder	-	(6,286)	-	-	(6,286)
Total costs	**-**	**(148,916)**	**(2,093,734)**	**(486,588)**	**(2,729,237)**

A breakdown of the transactions with related parties with reference to the note to which they refer for the year 2023 is shown below:

	Investments (Note 24)	**Assets** (Note 27)	**Payables** (Note 39)	**Revenues** (Note 43)	**Costs** (Note 43)
Subsidiaries	137,802,077	73,282,089	29,191,763	44,725,528	2,729,237
Interests in joint ventures:	-	-	-	-	-
Remuneration of Boards and Senior Executives and other related parties	-	-	-	-	3,946,437
Total	**137,802,077**	**73,282,089**	**29,191,763**	**44,725,528**	**6,675,674**

The remuneration concerns emoluments and all other payments, pension-related or social security deriving from the role of Director or Statutory Auditor in BasicNet S.p.A. and the other companies within the consolidation scope.

In relation to the other related parties, we highlight the legal consulting activities undertaken by Studio Legale Pavesio e Associati with Negri-Clementi and Studio Legale Cappetti Associazione Professionale, as part of a framework contract, of the Director Carlo Pavesio. These transactions, not material compared to the overall values, were at market conditions.
The collections owned by BasicNet S.p.A., which are utilised for media events, shows, press gatherings together with the Brands and/or products of the Group, are subject to a put and call agreement with Marco Boglione & Figli S.r.l.. The agreement shall run until June 30, 2026. The exercise price of the Call Option by Marco Boglione & Figli 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.

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' MEETING TO APPROVE THE FINANCIAL STATEMENTS FOR THE YEAR

Dear Shareholders,

We highlight the following:

MOTION

the Shareholders' AGM of BasicNet S.p.A., having reviewed the 2023 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, 2023, in relation to each individual part and in its entirety.

PROPOSAL FOR THE ALLOCATION OF NET PROFIT FOR THE YEAR 2023 AND DIVIDEND DISTRIBUTION. RESOLUTIONS THEREON.

Dear Shareholders,

We propose the allocation of the net profit of Euro 20,077,013.60 as follows:

▪ to each of the 49,601,800 ordinary shares in circulation (excluding the 4,398,200 treasury shares held at March 8, 2024), a dividend of Euro 0.15 before withholding taxes for an amount of	Euro	7,440,270.00
▪ to retained earnings the residual amount, equal to	Euro	12,636,743.60

The dividend will be paid from April 24, 2024, with record date of April 23, 2024 and coupon date (No. 17) of April 22, 2024.

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

We propose therefore the following:

MOTION

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

RESOLVES

to approve the proposed allocation of the net profit for the year of Euro 20,077,013.60, as presented above, and the proposed payment of a dividend of Euro 0.15 to each of the ordinary shares in circulation and entitled to receive dividends on the coupon date.

Turin, March 8, 2024

for the Board of Directors

The Chairperson

Marco Daniele Boglione

ATTACHMENT 1

DISCLOSURE PURSUANT TO ARTICLE 149 *DUODECIES* OF THE CONSOB ISSUER'S REGULATION

Type of service	Service provider	Company	Fees for 2023
Audit	EY S.p.A.	Parent BasicNet S.p.A.	59,000
Certification services	EY S.p.A.	Parent BasicNet S.p.A.	-
Other services	EY S.p.A.	Parent BasicNet S.p.A.	-
Total			**59,000**

ATTACHMENT 2
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LIST OF INVESTMENTS AT DECEMBER 31, 2023

(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
SUBSIDIARY COMPANIES							
BASIC AIR S.r.l. WITH SOLE SHAREHOLDER *Largo Maurizio Vitale, 1 10152 TURIN* Share capital Euro 3,000,000	3,000,000	2,203,414	36,804	100.00	-	2,203,414	3,000,000
BASIC ITALIA S.r.l. WITH SOLE SHAREHOLDER *Strada della Cebrosa, 106 10156 TURIN* Share capital Euro 100,000	100,000	4,869,109	(2,881,600)	100.00	-	4,869,109	2,122,099
BASICNET ASIA LTD. *Unit 808B, 8/F, Tower B, Manulife Financial Centre, No. 223-231 Wai Yip Street, Kwun Tong. HONG KONG* Share capital HKD 10,000.	1,159	448,682	43,151	100.00	-	448,682	927
BASICNET ASIA COMPANY LIMITED (VIETNAM) Ltd.. *Room 1002-1003, 10th Floor, Diamond Plaza Building 34 Le Duan Street, Ben Nghe Ward, District 1 - Ho Chi Minh City VIETNAM* Share capital DONG 462,600,000	17,116	68,692	15,337	100.00	-	68,692	18,135
BASIC PROPERTIES AMERICA, INC. *c/o National Registered Agents, Inc. 4701 Cox Road, Suite 285 – Glen Allen VA 23060-0000 – U.S.A.* Share capital USD 2,000	1,810	8,264,468	744,055	100.00	-	8,264,468	1
BASIC VILLAGE S.p.A. WITH SOLE SHAREHOLDER *Largo Maurizio Vitale, 1 10152 TURIN* Share capital Euro 412,800	412,800	8,545,192	(1,086,728)	100.00	-	8,545,192	2,591,980
JESUS JEANS S.r.l WITH SOLE SHAREHOLDER *Largo Maurizio Vitale, 1 10152 TURIN* Share capital Euro 10,000	10,000	24,044	2,366	100.00	-	24,044	81,375
KAPPA S.r.l. WITH SOLE SHAREHOLDER *Largo Maurizio Vitale, 1 10152 TURIN* Share capital Euro 1,300,000	1,300,000	51,934,665	4,764,584	100.00	-	51,934,665	8,063,145
KAPPA FRANCE S.a.s. *41 Rue Bobby Sands 44800 St Herblain Cedex - FRANCE* Share capital Euro 2,207,600	2,207,600	6,602,349	2,838,463	-	100.00	-	-

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
SUBSIDIARY COMPANIES							
KAPPARETAIL S.r.l. **WITH SOLE SHAREHOLDER** *Strada della Cebrosa, 106* *10156 TURIN* Share capital Euro 10,000	10,000	1,312,773	278,253	-	100.00	-	-
KAPPA RETAIL MONACO S.a.r.l. *1, Promenade Honorè II* *98000 Monaco* Share capital Euro 15,000	15,000	1,689,533	(589,293)	-	100.00	-	-
KAPPA SPORT IBERIA S.L. *Vía de las Dos Castillas 9-A* *28224 Pozuelo De Alarcón-Madrid* *SPAIN* Share Capital Euro 505.588	505,588	1,677,390	(408,251)	-	100.00	-	-
K-WAY S.p.A. **WITH SOLE SHAREHOLDER** *Via dell'Aprica, 12* *20158 MILAN* Share capital Euro 10,050,000	10,050,000	76,804,299	14,862,870	100.00	-	76,804,299	117,678,035
K-WAY FRANCE S.A.S. *2 Rue Gabriel Vicaire* *75003 PARIS - FRANCE* Share capital Euro 150,000	150,000	30,004,463	10,879,459	-	100.00	-	-
K-WAY IBERIA S.L. *Vía de las Dos Castillas 9-A* *28224 Pozuelo De Alarcón-Madrid* *SPAIN* Share capital Euro 3,000	3,000	(49,325)	(245,790)	-	100.00	-	-
K-WAYRETAIL S.r.l. **WITH SOLE SHAREHOLDER** *Strada della Cebrosa, 106* *10156 TURIN* Share capital Euro 10,000	10,000	6,677,252	3,915,644	-	100.00	-	-
K-WAYRETAIL IRELAND LTD. **WITH SOLE SHAREHOLDER** *6th Floor, South Bank House,* *Barrow Street, Dublin 4* *IRELAND* Share capital Euro 1,000	1,000			-	100.00	-	-
K-WAYRETAIL SUISSE S.A. *Via Franco Zorzi, 18* *6850 MENDRISIO - SWITZERLAND* Share capital CHF 100,000.	107,991	51,580	44,368	-	100.00	-	-
PREPPY COTTON S.A. **(in liquidation)** *Renzligenstrasse 31* *6260 MENDRISIO - SWITZERLAND* Share Capital Euro 101,105	101,105	1,942,911	(11,753)	-	100.00	-	-

ATTACHMENT 2
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Name/Registered office/Share capital	Share capital	Amount of the net equity	Profit (loss) for the year	Quota held directly	Quota held indirectly	Pro quota net equity	Book value
SUBSIDIARY COMPANIES							
SEBAGO S.r.l. **WITH SOLE SHAREHOLDER** *Largo Maurizio Vitale, 1* *10152 Turin* Share capital 50,000	50,000	4,134,240	551,308	100.00 (1)	-	4,134,240	1,389,519
SEBAGORETAIL S.r.l. **WITH SOLE SHAREHOLDER** *Strada della Cebrosa, 106* *10156 Turin* Share capital Euro 10,000	10,000	471,806	(32,784)	-	100.00	-	-
SPORT FASHION DISTRIBUTION UK Ltd. (in liquidation) *Richmond House, 15 Bloom Street* *M1 3HZ Manchester - UK* Share capital GBP 1	1	-	55,399	-	100.00	-	-
SPORT FASHION RETAIL S.a.r.l. *41 Rue Bobby Sands* *44800 St Herblain Cedex - FRANCE* Share capital Euro 5,000	5,000	(442,926)	299,177	-	100.00	-	-
SUPERGA S.r.l. **WITH SOLE SHAREHOLDER** *Largo Maurizio Vitale, 1* *10152 Turin* Share capital 50,000	50,000	25,784,778	2,684,950	100.00	-	25,784,778	2,661,012
SUPERGARETAIL S.r.l. **WITH SOLE SHAREHOLDER** *Strada della Cebrosa, 106* *10156 Turin* Share capital Euro 10,000	10,000	322,042	(98,247)	-	100.00	-	-
TEXTILES D'ARTOIS S.a.r.l. (in liquidation) *4 Rue D'Acq* *62144 Haute Avesnes- FRANCE* Share capital Euro 3,000	3,000	(453,907)	175,909	-	100.00	-	-
JOINT VENTURES							
FASHION S.r.l. *C.so Stati Uniti, 41* *10129 TURIN* Share capital Euro 100,000	100,000	137,976	(12,805)	-	50.00	-	-

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
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LIST OF INVESTMENTS AT DECEMBER 31, 2023

Name/Registered office/Share capital	31/12/2022 Book value	Acquisitions/Incorporations/Conferments	Capital payments to cover losses	Impairments investments	Spin-off	31/12/2023 Book value	% held Parent
HOLDINGS IN SUBSIDIARY COMPANIES							
BasicRetail S.r.l. with sole shareholder	3,000,000	-	-	-	-	3,000,000	100%
BasicItalia S.r.l. with sole shareholder	5,047,833	-	-	23,735	(2,949,468)	2,122,099	100%
BasicNet Asia Ltd.	927	-	-	-	-	927	100%
BasicNet Asia Company Limited (Vietnam) Ltd.	18,135	-	-	-	-	18,135	100%
Basic Properties America Inc.	1	-	-	-	-	-1	100%
Basic Village S.p.A.. with sole shareholder	2,591,980	-	-	-	-	2,591,980	100%
Fashion S.r.l. with sole shareholder	190,720	5,000	-	-	-	195,720	100%
Jesus Jeans S.r.l. with sole shareholder	81,375	-	-	-	-	81,375	100%
Kappa S.r.l. with sole shareholder	4,717,796			3,345,349		8,063,145	100%
K-Way S.p.A. with sole shareholder	95,710,383	-	-	21,967,652	-	117,678,035	100%
Sebago S.r.l. with sole shareholder	370,000	-	-	-	1,019,519	1,389,519	100%
Superga S.r.l. with sole shareholder	489,195	-	-	241,868	1,929,949	2,661,012	100%
TOTAL SUBSIDIARY COMPANIES	***112,218,345***	***5,000***	***-***	***25,578,604***	***-***	***137,801,949***	
HOLDINGS IN OTHER COMPANIES							
Consortiums & other minor	127	-	-	-	-	127	
TOTAL OTHER COMPANIES	***127***	***-***	***-***	***-***	***-***	***127***	
TOTAL INVESTMENTS	**112,218,472**	**5,000**	**-**	**25,578,604**	**-**	**137,802,076**	
FINANCIAL RECEIVABLES							
Other receivables (guarantees)	31,983	-	-	-	-	31,983	-
TOTAL RECEIVABLES	**31,983**	**-**	**-**	**-**	**-**	**31,983**	
TOTAL INVESTMENTS AND OTHER FINANCIAL ASSETS	**112,250,455**	**5,000**	**-**	**25,578,604**	**-**	**137,834,059**	

ATTACHMENT 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 2023 financial statements.

In addition, we certify that the financial statements:

a) corresponds to the underlying accounting documents and records;

b) were prepared in accordance with International Financial Reporting Standards adopted by the European Union and also in accordance with Article 9 of Legislative Decree 38/2005 and provide a true and fair representation of the balance sheet, financial position and results of the Issuer;

c) the Directors' Report includes a reliable analysis on the performance and operating result as well as the situation of the Issuer, together with a description of the risks and uncertainties to which they are exposed.

Marco Daniele Boglione
Chairperson

Federico Trono
Chief Executive Officer

Paola Bruschi
Executive Officer for Financial Reporting

BasicNet S.p.A.

Financial statements as at December 31, 2023

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

EY S.p.A.
Via Meucci, 5
10121 Torino

Tel: +39 011 5161611
Fax: +39 011 5612554
ey.com

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, 2023, and statement of income, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and the explanatory notes to the financial statements, including material accounting policy information.

In our opinion, the financial statements give a true and fair view of the financial position of the Company as at December 31, 2023, 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.

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 them all matters that may reasonably be thought to bear on our independence, and where applicable, the actions taken to eliminate relevant risks or the safeguard measures applied.

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 as at December 31, 2023, with the provisions of the Delegated Regulation.

In our opinion, the financial statements as at December 31, 2023, 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, 2023, 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, 2023 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, 2023 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 have been approved by Directors.

Pursuant to article 3, paragraph 10, of Legislative Decree n. 254, dated 30 December 2016, such non-financial information are subject to a separate compliance report signed by us.

Turin, 22 March 2024

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 e dell'art. 2429, co. 2 c.c.)

Signori Azionisti,

il Collegio Sindacale di BasicNet SpA (in seguito anche «BasicNet» o «Società»), ai sensi dell'art. 153 del D. Lgs. n. 58/1998 (in seguito anche «TUF») è chiamato a riferire all'Assemblea degli azionisti convocata per l'approvazione del bilancio sull'attività di vigilanza svolta nell'esercizio, sulle omissioni e sui fatti censurabili eventualmente rilevati e sui risultati dell'esercizio sociale.

Il Collegio Sindacale è chiamato, altresì, ad avanzare eventuali proposte in ordine al bilancio e alla sua approvazione, nonché alle materie di sua competenza.

La presente relazione riferisce sull'attività svolta dal Collegio Sindacale di BasicNet nell'esercizio chiuso al 31 dicembre 2023.

PREMESSA

Il Collegio Sindacale in carica alla data della presente relazione è composto da Ugo Palumbo (Presidente), Gianna Luzzati (componente effettivo) e Alberto Pession (componente effettivo), nominati dall'Assemblea degli Azionisti del 13 aprile 2022.

Sono sindaci supplenti Riccardo Garbagnati e Simonetta Mattei, nominati dalla medesima Assemblea degli Azionisti.

Nel corso dell'esercizio chiuso al 31 dicembre 2023 il Collegio Sindacale ha svolto l'attività di vigilanza prevista dalla legge (e in particolare, dall'art. 149 del TUF e dall'art. 19 del D. Lgs. n. 39/2010), tenuto conto dei principi di comportamento raccomandati dal Consiglio Nazionale dei Dottori Commercialisti e degli Esperti Contabili, delle disposizioni Consob in materia di controlli societari e delle indicazioni contenute nel Codice di Corporate Governance delle società quotate promosso da Borsa Italiana. L'attività di vigilanza è stata svolta nel corso delle n. 10 riunioni del Collegio Sindacale, assistendo alle n. 6 riunioni del Consiglio di Amministrazione, partecipando altresì all'assemblea degli azionisti tenutasi in data 13 aprile 2023, alle n. 5 riunioni del Comitato Controllo e Rischi e ad una riunione 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 de1 TUF ha ottenuto dagli amministratori, con periodicità almeno trimestrale, informazioni sull'attività svolta e sulle operazioni di maggior rilievo economico, finanziario e patrimoniale realizzate dalla Società, nonché sulle linee guida strategiche di Gruppo. Il Collegio Sindacale può ragionevolmente assicurare che le operazioni deliberate e poste in essere sono conformi alla legge e allo statuto e non sono manifestamente imprudenti o azzardate, o in contrasto con le delibere assunte dall'Assemblea, o tali da compromettere l'integrità del patrimonio sociale. Non risultano, altresì, operazioni atipiche o inusuali;

— segnala le seguenti operazioni ed eventi di particolare rilevanza nel 2023: durante l'esercizio si è sostanzialmente completato il processo di riorganizzazione aziendale del Gruppo BasicNet in virtù del quale tutte le società proprietarie dei singoli marchi sono sotto il controllo diretto di BasicNet. Si precisa che tutte le operazioni straordinarie avvenute durante l'esercizio 2023 sono avvenute in continuità di valori contabili e fiscali e non hanno comportato una modifica di assetti societari, né di struttura patrimoniale del Gruppo;

— 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 2023;

— ha ricevuto dall'Organismo di Vigilanza informazioni circa la propria attività, dalla quale non risultano anomalie o fatti significativi censurabili;

— ha vigilato sul rispetto delle disposizioni in materia di privacy di cui al Regolamento UE n. 2016/679 (c.d. GDPR);

— non ha ricevuto denunce ex art. 2408 del Codice Civile, né sono stati presentati esposti di alcun genere;

— non ha effettuato segnalazioni alla Consob ex art. 149, comma 3, del TUF;

— ha espresso pareri ai sensi dell'art. 2389, comma 3, del Codice Civile sulla remunerazione degli amministratori investiti di particolari cariche. In particolare, nel mese di aprile 2023 il Collegio si è espresso sulla proposta del Comitato Remunerazione relativamente ai compensi variabili da attribuire ai componenti del Consiglio di Amministrazione;

— ha vigilato sull'espletamento degli adempimenti correlati alle normative "Market abuse" e "Tutela del risparmio" in materia di informativa societaria e di "Internal Dealing", con particolare riferimento al trattamento delle informazioni privilegiate e alla procedura per la diffusione dei comunicati e delle informazioni al pubblico.

Ulteriormente, il Collegio Sindacale, quanto agli organi e alle funzioni sociali, segnala che:

— il Consiglio di Amministrazione nel corso dell'esercizio 2023 si è riunito n. 6 volte;

— il Comitato Controllo e Rischi (che riveste anche la funzione di Comitato Parti Correlate) nel corso dell'esercizio 2023 si è riunito n. 5 volte;

— il Comitato per la Remunerazione nel corso dell'esercizio 2023 si è riunito n. 1 volta;

— l'Organismo di Vigilanza nel corso dell'esercizio 2023 si è riunito n. 4 volte (di cui 1 nella composizione successiva alla riunione del Consiglio di Amministrazione in data 31 ottobre 2023).

- *Attività di vigilanza sul rispetto dei principi di corretta amministrazione sull'adeguatezza della struttura organizzativa*

Il Collegio Sindacale:

— ha acquisito conoscenza e vigilato, per quanto di competenza, sull'adeguatezza della struttura organizzativa della Società e sul rispetto dei principi di corretta amministrazione, tramite osservazioni dirette, raccolta di informazioni dai responsabili delle funzioni aziendali e incontri con la società di revisione ai fini del reciproco scambio di dati e informazioni rilevanti e a tale riguardo non ha osservazioni particolari da riferire, ritenendo la struttura organizzativa della Società sostanzialmente adeguata alle necessità della stessa e idonea a garantire il rispetto dei principi di corretta amministrazione;

— ha valutato e vigilato sull'adeguatezza del sistema amministrativo-contabile, nonché sull'affidabilità di quest'ultimo a rappresentare correttamente i fatti di gestione, mediante l'ottenimento di informazioni dai responsabili delle rispettive funzioni, l'esame di documenti aziendali e l'analisi dei risultati del lavoro svolto dalla società di revisione, e a tale riguardo non ha osservazioni particolari da riferire;

— non ha constatato fatti e circostanze comportanti l'inidoneità del sistema amministrativo-contabile delle società controllate extra Ue a far pervenire regolarmente alla direzione e al revisore della società controllante i dati economici, patrimoniali e finanziari necessari per la redazione del bilancio consolidato, come previsto dall'art. 15, comma 1, lett. c, punto ii), del Regolamento Mercati (condizioni per la quotazione di azioni di società controllanti società costituite e regolate dalla legge di stati non appartenenti all'Unione Europea).

Il Collegio Sindacale ha constatato che adeguata documentazione a supporto degli argomenti oggetto di discussione nei consigli di amministrazione è resa disponibile ad amministratori e sindaci con congruo anticipo.

Sulla base delle informazioni acquisite, il Collegio Sindacale dà atto che le scelte gestionali sono ispirate al principio di corretta informazione e di ragionevolezza e che gli Amministratori sono stati resi edotti della rischiosità e degli effetti delle operazioni compiute.

Il Collegio Sindacale non ha riscontrato operazioni significative atipiche e/o inusuali, comprese quelle infragruppo o con parti correlate infragruppo e non infragruppo.

Il Collegio ha, altresì, valutato l'adeguatezza delle informazioni rese all'interno della relazione sulla gestione circa la non esistenza di operazioni significative atipiche e/o inusuali.

- *Attività di vigilanza sulle modalità di concreta attuazione delle regole di governo societario*

In relazione a quanto previsto dall'art. 149, comma 1, lett. c-bis, del TUF in merito alla vigilanza da parte del Collegio Sindacale «sulle modalità di concreta attuazione delle regole di governo societario previste da codici di comportamento redatti da società di gestione di mercati regolamentati o da associazioni di categoria, cui la società, mediante informativa al pubblico, dichiara di attenersi», il Collegio Sindacale segnala che la Società, con delibera del Consiglio di Amministrazione del 27 ottobre 2022 ha deliberato di non proseguire l'adesione al Codice di Corporate Governance se non nella misura in cui le raccomandazioni in esso contenute corrispondano a quelle introdotte dalla legislazione in vigore per le società quotate, ovvero Codice Civile, Testo Unico della Finanza e le correlate norme regolamentari emanate da Consob, da Borsa Italiana e dai Regolamenti Europei applicabili, ritenendo di essere dotata di un modello di governance costantemente aggiornato in relazione all'evoluzione della normativa sulle società quotate, di aver garantito piena trasparenza e correttezza nella conduzione del business, nonché un equilibrato ed efficace sistema dei controlli e presidio dei rischi.

Il Collegio Sindacale ha preso atto che la Relazione sul governo societario e gli assetti proprietari relativa al 2023, approvata in data 8 marzo 2024, contiene le informazioni richieste dall'articolo 123- bis del T.U.F..

Il Collegio Sindacale dà, inoltre, atto:

— di aver riscontrato in capo a tutti i suoi componenti effettivi il possesso dei requisiti di indipendenza, professionalità, onorabilità e limiti al cumulo degli incarichi previsti dalla legge, dallo statuto e dal Codice di Corporate Governance, nonché il corretto ed efficace funzionamento dell'organo nel suo complesso, formalizzando in una relazione gli esiti del processo di autovalutazione effettuato e dandone comunicazione al Consiglio di Amministrazione, che ne ha dato notizia nella Relazione sul governo societario e gli assetti proprietari;

— di aver riscontrato la corretta applicazione dei criteri e delle procedure adottate dal Consiglio di Amministrazione per valutare annualmente l'indipendenza dei propri amministratori indipendenti.

- *Attività di vigilanza sull'adeguatezza delle disposizioni impartite dalla società alle società controllate*

Ai sensi dell'articolo 114, comma 2, del TUF: (i) gli emittenti quotati impartiscono le disposizioni occorrenti affinché le società controllate forniscano tutte le notizie necessarie per adempiere gli obblighi di comunicazione previsti dalla legge; (ii) le società controllate trasmettono tempestivamente le notizie richieste.

Il Collegio Sindacale ha vigilato sull'adeguatezza delle disposizioni impartite alle società controllate, avendo constatato che la Società è in grado di adempiere tempestivamente e regolarmente agli obblighi di comunicazione previsti dalla legge; ciò anche tramite la raccolta di informazioni dai responsabili delle funzioni organizzative, ai fini del reciproco scambio di dati e informazioni rilevanti. Al riguardo, non vi sono osservazioni particolari da riferire.

Inoltre, nei Consigli di Amministrazione delle società controllate sono presenti, con deleghe operative, Amministratori e/o Dirigenti della capogruppo che garantiscono una direzione coordinata e un adeguato flusso di notizie, supportato anche da idonee informazioni contabili.

- *Operazioni infragruppo o con parti correlate*

Ai sensi dell'art. 2391-bis del Codice Civile e della delibera Consob n. 17221 del 12 marzo 2010 recante il Regolamento Operazioni con Parti Correlate (in seguito anche «Regolamento»), da ultimo modificata con delibera Consob n. 22144 del 22 dicembre 2021, in data 29 ottobre 2010 BasicNet si è dotata della Procedura per le operazioni con parti correlate. La Procedura per le operazioni con parti correlate è stata successivamente aggiornata in data 31 luglio 2014, in data 28 ottobre 2016 e, da ultimo, in data 11 giugno 2021 per recepire le novità introdotte dalla delibera Consob del 10 dicembre 2020.

La procedura attualmente vigente (in seguito anche «Procedura»), i cui contenuti sono riassunti nella Relazione sul governo societario e gli assetti proprietari, (i) è coerente con i principi contenuti nel Regolamento in vigore alla data della presente relazione ed (ii) è pubblicata sul sito internet della Società (www.basicnet.com nella sezione Corporate Governance BasicNet).

Nel corso dell'esercizio 2023, 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 2023 ai componenti degli organi di amministrazione e controllo e ai Dirigenti con responsabilità strategiche sono indicate nella Relazione sulla remunerazione 2023 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 da1 D. Lgs. 135/2016 (in seguito anche «Decreto») il Collegio Sindacale, identificato dal Decreto quale Comitato per il Controllo Interno e per la Revisione Contabile, è incaricato di:

— informare l'organo di amministrazione dell'ente sottoposto a revisione dell'esito della revisione legale e trasmettere a tale organo la relazione aggiuntiva di cui all'art. 11 del Reg. EU n. 537/2014 (in seguito anche «Regolamento Europeo»), corredata da eventuali osservazioni;

— monitorare il processo di informativa finanziaria e presentare le raccomandazioni o le proposte volte a garantirne l'integrità;

— controllare l'efficacia dei sistemi di controllo interno della qualità e di gestione del rischio dell'impresa e, se applicabile, della revisione interna, per quanto attiene l'informativa finanziaria dell'ente sottoposto a revisione, senza violarne l'indipendenza; monitorare la revisione legale del bilancio d'esercizio e del bilancio consolidato, anche tenendo conto di eventuali risultati e conclusioni dei controlli di qualità svolti dalla Consob a norma dell'art. 26, par. 6, del Regolamento Europeo, ove disponibili;

— verificare e monitorare l'indipendenza dei revisori legali o delle società di revisione legale a norma degli artt. 10, 10-bis, 10-ter, 10-quater e 17 del Decreto e dell'art. 6 del Regolamento Europeo, in particolare per quanto concerne l'adeguatezza della prestazione di servizi diversi dalla revisione all'ente sottoposto a revisione, conformemente all'art. 5 di tale Regolamento;

— essere responsabile della procedura volta alla selezione dei revisori legali o delle società di revisione legale e raccomandare i revisori legali o le imprese di revisione legale da designare ai sensi dell'art. 16 del Regolamento Europeo.

Il Collegio Sindacale ha interagito strettamente con il Comitato Controllo e Rischi, costituito in seno al Consiglio di Amministrazione, allo scopo di coordinare le rispettive competenze, porre in essere scambi informativi e confronti costanti ed evitare sovrapposizioni di attività. Nello specifico, è stata mantenuta nel 2023, 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 2024 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 2023, 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 2023, 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 2023, "il Comitato ritiene che non siano emerse situazioni o criticità rilevanti tali da far ritenere non adeguato il Sistema di Controllo Interno e di Gestione dei Rischi".

In merito al corretto adempimento delle norme contenute nel D. Lgs. 231/2001, il Collegio Sindacale ha preso atto che in data 31 ottobre 2023, il Consiglio di Amministrazione ha deliberato l'aggiornamento del Modello di Organizzazione, Gestione e Controllo ex D. Lgs. 231/01 in recepimento dei nuovi reati presupposto inseriti nel Decreto 231/2001. Il Modello recepisce altresì l'aggiornamento della procedura di segnalazione delle violazioni dei diritti dell'Unione Europea e delle disposizioni normative nazionali, conformemente al D.Lgs. 24/2023. L'aggiornamento del Modello ha comportato altresì una revisione delle aree a rischio di commissione dei reati, dei processi e dei controlli correlati, anche in considerazione del perfezionamento delle operazioni di riorganizzazione del Gruppo.

Inoltre, a valle della riorganizzazione, anche le singole società proprietarie dei marchi hanno adottato un proprio Modello 231, in linea con quello di BasicNet. Ciascuna società ha proceduto alla nomina di un Organismo di Vigilanza monocratico, nella persona di Mario Sillano, che già si occupa dell'attività di audit all'interno del Gruppo e che, pertanto, si è dimesso dalla carica di membro di OdV di BasicNet, per evitare una sovrapposizione dei ruoli come referente dell'organismo di vigilanza delle controllate. In data 31 ottobre il Consiglio di Amministrazione ha nominato la dott.ssa Simonetta Mattei. L'OdV di BasicNet risulta quindi composto dal dott. Andrea Zonca (Presidente), dott.ssa Giuliana Baronio e dott.ssa Simonetta Mattei.

Il Collegio Sindacale ha esaminato la relazione dell'OdV sull'attività svolta nel 2023 dalla quale non emergono temi da sottoporre all'attenzione dell'Assemblea.

Nel corso dell'esercizio 2023 ha ricevuto informativa in merito al modello strutturato di risk management relativo al proprio framework ERM (Enterprise Risk Management) che recepisce le le modifiche societarie finalizzate nel 2023.

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 2024, 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 2023, 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 2023 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 2023;

(v) la conferma che il giudizio sul bilancio d'esercizio e il giudizio sul bilancio consolidato espresso nelle rispettive relazioni sono in linea con quanto indicato nella Relazione Aggiuntiva destinata allo scrivente Collegio Sindacale, nella sua funzione di Comitato per il controllo interno e la revisione contabile, predisposta ai sensi dell'art. 11 del Regolamento europeo;

- le citate relazioni non contengono rilievi ne richiami di informativa;

- nella relazione sulla revisione del bilancio consolidato EY dà atto di aver verificato l'avvenuta approvazione, da parte degli Amministratori, della dichiarazione di carattere non finanziario.

- *Attività di vigilanza sull'indipendenza della società di revisione, in particolare per quanto concerne la prestazione di servizi non di revisione*

Il Collegio Sindacale ha vigilato, anche con riferimento a quanto previsto dall'art. 19 del D. Lgs. 39/2010, sull'indipendenza della società di revisione.

In merito, si dà atto che nel corso dell'esercizio 2023 la società di revisione EY S.p.A. e/o le società appartenenti alla rete EY hanno prestato al Gruppo solo servizi nell'ambito della revisione legale dei conti, per un importo complessivo di 378.000 euro.

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 2024, 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 2023, 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 2024, 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 l'8 marzo 2024, 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 2023, 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 2023

Il Collegio Sindacale esprime parere favorevole all'approvazione del bilancio al 31 dicembre 2023 e non ha obiezioni da formulare in merito alla proposta di deliberazione presentata dal Consiglio di Amministrazione sulla destinazione dell'utile.

CONSIDERAZIONI FINALI

Il Collegio Sindacale non ha rilievi da segnalare in ordine alle informazioni ottenute e all'attività di vigilanza svolta; non ha costatato omissioni, fatti censurabili o irregolarità o circostanze tali da richiedere segnalazioni in questa relazione o all'Autorità di Vigilanza.

Ai sensi dell'art. 144 quinquiesdecies del Regolamento Emittenti, approvato dalla Consob con deliberazione 11971/99 e successive modificazioni e integrazioni, l'elenco degli incarichi ricoperti dai componenti del Collegio Sindacale presso le società di cui al Libro V, Titolo V, Capi V, VI e VII del Codice Civile è pubblicato dalla Consob sul proprio sito internet (www.consob.it).

Torino, 22 marzo 2024

Il Collegio Sindacale:

Ugo Palumbo (Presidente)

Gianna Luzzati (sindaco effettivo)

Alberto Pession (sindaco effettivo)