

BasicNet

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CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT

The Corporate Governance and Ownership Structure Report, hereafter summarised, is available in its full version on the Group website (www.basicnet.com in the section "Corporate Governance BasicNet").

1.0 COMPANY PROFILE

BasicNet S.p.A. is managed by a Board of Directors, which has set up the Control and Risks Committee and the Remuneration Committee and oversight is provided by the Board of Statutory Auditors. The powers and duties of these bodies are governed by the Civil Code, by special applicable laws and by the Company By-Laws. These Boards are elected by the Shareholders' Meeting and remain in office for three years.

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

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

The Governance of the Company also includes the Internal Control System, the Ethics Code, as well as the assignment of executive powers and the organisational structure.

2.0 DISCLOSURE ON THE OWNERSHIP STRUCTURE AT MARCH 20, 2015 (as per Article 123-bis, paragraph 1, of the CFA)

a) Shareholders (as per Article 123-bis, paragraph 1, letter a), CFA)

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

At the date of the present Report, the Company holds 4,090,000 treasury shares, equal to 6.706% of the share capital.

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

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

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

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

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

Based on the communications received in accordance with Article 120 of the CFA, the Shareholder Register and the information available following communications made by Shareholders, at the date of the present Report, the shareholders with significant shareholdings are as follows:

Shareholder	Direct shareholder	Holding of ordinary share capital	Holding of voting share capital
Marco Daniele Boglione	BasicWorld s.r.l.	36.187%	36.187%
Marco Daniele Boglione	Marco Daniele Boglione	0.292%	0.292%
	<i>Total</i>	<i>36.479%</i>	<i>36.479%</i>
BasicNet S.p.A.	BasicNet S.p.A.	6.706%	6.706%
Wellington Management Company LLP	Wellington Global Holdings Ltd	5.620%	5.620%
Wellington Management Company LLP	Wellington Hedge Management LLC	5.010%	5.010%
	<i>Total</i>	<i>10.630%</i>	<i>10.630%</i>
Norges Bank Investment Management	Norges Bank Investment Management	4.990%	4.990%
Francesco Boglione	Francesco Boglione	4.556%	4.556%
Golden Step Ltd	Golden Step Ltd	2.790%	2.790%

- d) Shares which confer special rights (as per Article 123-*bis*, paragraph 1, letter d), CFA)
There are no securities which confer special control rights.
- e) Employee participation rights: method of exercise of voting rights (as per Article 123-*bis*, paragraph 1, letter e), CFA)
There is no share participation programme for employees.
- f) Voting restrictions (as per Article 123-*bis*, paragraph 1, letter f), CFA)
There are no restrictions on voting rights.
- g) Shareholder agreements (as per Article 123-*bis*, paragraph 1, letter g), CFA)
At the date of the present Report, there are no agreements between Shareholders.
- h) Change of control clause (as per Article 123-*bis*, paragraph 1, letter h), CFA) and statutory provisions on takeovers (as per Article 104, paragraph 1-*ter* and 104-*bis*, paragraph 1).

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

Statutory provisions in relation to Takeovers

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

- "the Board of Directors, and any Executive Boards, also have the right to undertake, without a Shareholders' Meeting authorisation, all acts and operations against the objectives of a public share or exchange offer, from the moment in which the communication in which the decision or the obligation arises to promote the offer was made public until the termination or expiry of the offer".
 - "the Board of Directors, and any Executive Boards, also has the right to implement decisions, not yet implemented in full or in part and which are not within the scope of the normal activities of the company, undertaken before the communication as described above and whose implementation could negate the achievement of the objectives of the offer".
- i) Power to increase the share capital and authorisation to purchase treasury shares (as per Article 123-*bis*, paragraph 1, letter a), CFA)
- Powers to increase the Share Capital
The Board of Directors do not have powers to increase the Share Capital pursuant to Article 2443 of the Civil Code.
 - Powers as per the Civil Code
The Board of Directors do not have powers to increase the Share Capital pursuant to Article 2420-*ter* of the Civil Code.
 - Authorisation of share buy-back plan
The Shareholders' Meeting of April 28, 2014 approved, for a period of twelve months, or until the next Shareholders' AGM to approve the 2014 Annual Accounts, the authorisation to purchase and utilise a maximum number of shares, which taking into account those already held by the Company, does not exceed the limits permitted by law, for a maximum expected financial

commitment of Euro 5 million. Based on this authorisation the Company, at the date of the Report, had acquired 532,000 shares, equal to 0.872% of the Share Capital. BasicNet today holds a total of 4,090,000 treasury shares (6.706% of the Share Capital), for a total investment of Euro 7.2 million.

- l) Direction and co-ordination activities (as per Article 2497 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. BasicNet S.p.A. considers that it is not subject to the management and coordination of BasicWorld S.r.l., a company which holds 36.187% of the Share Capital, as there are no rules which permit the limitation of independent decisions of BasicNet S.p.A., either in contractual form or through organisational procedures.
Pursuant to Article 2497-bis of the Civil Code the directly and indirectly held Italian subsidiaries have identified BasicNet S.p.A. as the party which exercises management and coordination of their activities. This activity involves oversight of the general strategic directives and in the definition and amendment of the Internal Governance and Control model, and the sharing of the Ethics Code adopted at Group level. In addition, the Group coordination involves the central management within BasicNet S.p.A. of the treasury, personnel, corporate, control and Information Technology services. These activities permit both economies scale and adequate coordination and operational control.

m) Other information

It is noted that:

- the disclosures required by Article 123-bis, paragraph 1, letter 1) ("the agreements between the company and directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer") are contained in the remuneration report pursuant to Article 123-ter of the CFA, available on the company's website www.basicnet.com;
- the disclosures required by Article 123-bis, paragraph 1, letter l) of the CFA ("applicable regulations concerning the appointment and replacement of directors, in addition to the amendment of the by-laws if differing from applicable law and regulations) are illustrated in the Board of Directors section (Section 4.1).

3. COMPLIANCE (as per Article 123-bis, paragraph 2, letter a), CFA)

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

This is mainly based on the principles and recommendations contained in the Self-Governance Code of listed companies issued by Borsa Italiana, available on the website Borsa Italiana (<http://www.bosaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf>).

The Annual Report, which is published on the website www.basicnet.com illustrates the Governance structure of the Group, as well as the level of compliance of the corporate governance system with the recommendations of the Self-Governance Code issued by Borsa Italiana S.p.A..

In line with Recommendation EU No. 208/2014 and paragraph IV of the "Guidelines and transitory system" of the Self-Governance Code provides facts and explanations, where any application principles or criteria were unexpected.

BasicNet S.p.A., nor its strategic subsidiaries, are subject to laws in force outside Italy which affect the corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (as per Article 123-bis, paragraph 1, letter l), CFA)

The norms applied in the appointment and replacement of the Directors are in line with legislative and regulatory provisions and Article 13 of the Company By-Laws, in relation to which reference should be made to the company's website www.basicnet.com.

The Company is administered by a Board of Directors, made up of between five and fifteen members, including non-shareholders. The Shareholders' Meeting, before their appointment, establishes the number of members of the Board of Directors and the duration of office in accordance with that permitted by law.

The procedure for appointment as per Article 13 provides:

- for filing, at the registered office of the Company, within the terms required by regulatory provisions, of the slates of candidates with indication of the shareholders presenting the candidates and the overall shareholding held, together with disclosure on the personnel 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 2015, as in previous years, this percentage was 4.5% (Consob Resolution No. 19109 of January 28, 2015);
- 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 1; 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.

The Board of Directors in office was appointed by the Shareholders' Meeting of April 29, 2013. The only proposal was presented by the shareholder BasicWorld S.r.l., holder of 36.187% of the ordinary shares.

BasicNet is not subject to other regulations, concerning the composition of the Board of Directors, other than those contained in the CFA.

Executive directors succession plans

The Board of Directors, in view of the ownership structure and the allocation of duties, decided not to adopt succession plans for any replacement of the Executive Directors. This choice may be reconsidered according to a differing breakdown of powers among the Board of Directors.

4.2. COMPOSITION (as per Article 123-*bis*, paragraph 2, letter d), CFA)

The mandate of the Board of Directors in office, appointed by the Shareholders' AGM of April 29, 2013, will conclude with the Shareholders' AGM for the approval of the 2015 Annual Accounts, and is comprised of ten members:

The Board of Directors complies with the "gender quota" of one-fifth as per Consob Regulations and Article 13 of the Company By-Laws, implementing the requirements of the regulation in 2011.

A brief curriculum vitae of the members of the Director in office, with indication of the offices held within the Group or in other listed companies or companies of significant size is listed below.

The curriculum vitae of the Directors in office are also available on the website of the company at www.basicnet.com.

Marco Daniele Boglione – Director (in office since 1984)

Born in 1956, he is the Group's founder. After experience with Maglificio Calzificio Torinese S.p.A., he has been an entrepreneur since 1985.

He holds the following offices within the Group: Chairman of Basic Trademark S.A., Chairman of Superga Trademark S.A., Executive Director of Fashion S.r.l., Chairman of BasicItalia S.p.A., Chairman of Jesus Jeans S.r.l.;

He is also a Director of BasicWorld S.r.l.; Director of the Piedmont Foundation for Cancer Search; President of the Piedmont Oncological Foundation; Director of Fondazione Telecom Italia.

Daniela Ovazza – Vice Chairman – Member of the Remuneration Committee (in office since 1994)

Born in 1956, he graduated in Economics and Commerce in Turin, joining the business world in 1984.

He is a Director of TESA S.p.A; Non-Executive Director of C.L.S. S.p.A. and a Director of CGT Truck S.p.A..

Franco Spalla – Chief Executive Officer (in office since 2001)

Born in 1952, he graduated in Company Management from the University of Turin.

Between 1988 and 2001 he was the Chief Executive Officer of Fenera Holding S.p.A. and he is an Independent Director of Intek Group S.p.A., a company listed on the Milan Stock Exchange.

He holds the following offices within the Group: Chairman of Basic Properties B.V., Chairman of BasicNet Asia Ltd., Chief Executive Officer of Jesus Jeans S.r.l., Chief Executive Officer of AnziBesson Trademark S.r.l., Chief Executive Officer of Fashion S.r.l., Director of BasicItalia S.p.A., Director of Basic Properties America, Inc., Director of Superga Trademark S.A., Director of Basic Trademark S.A., Director of the Italian administrative offices of Superga Trademark S.A. and Basic Trademark S.A.;

Paola Bruschi – Director (in office since 2007)

Born in 1967, he graduated in Economics and Commerce. He has worked with BasicNet since 1993 and currently acts as the Vice President Organisation and is a member of the Supervisory Board and the Director in charge of the internal control and risk management system.

He periodically attends the presentation of case studies at the Economics and Commerce faculty of Turin, the Corporate Administration School, ISTUD courses, School of Management of the Milan Polytechnic.

Within the Group, he is a Director of BasicVillage S.p.A..

Paolo Cafasso – Director (in office since 1995)

Born in 1956, he graduated in Economics and Commerce, and qualified as a certified accountant and auditor. Between 1980 and 1994 he was an auditor with Arthur Andersen & Co., servicing the main clients in the Turin area, particularly in the industrial and commercial sector.

Since 1995 he has been an executive of BasicNet S.p.A., as the Group's Chief Financial Officer. He is the executive in charge of accounting documents.

Within the Group, he is the Chief Executive Officer of Basic Village S.p.A. and a Director of Basic Properties B.V..

Gianni Crespi – Independent Director – Chairman of the Control and Risks Committee (in office since 2007)

Born in 1959, he obtained a degree in Political Science. He began his career in the commercial publishing sector. Between 1986 and 1990 he was the assistant to the General Manager of the publishing group Fabbri, Bompiani, Sonzogno, Etas Group S.p.A. and between 1990 and 1991 the General Manager of Eurolibri Rusconi Editore S.p.A., from 1991 to 1999 Vice Chairman and General Manager of "The Walt Disney Company Italy S.p.A.", from 1999 to 2003 the Chief Executive Officer and General Manager of the Istituto Geografico De Agostini S.p.A., from 2003 to 2006 the Chairman of Rodale International and since 2008 has been the Chairman and Chief Executive Officer of Rhiag Group S.p.A..

Within the Group, he is a Director of BasicItalia S.p.A., with oversight on control and risk management of the Company.

He is also an Independent Director of Innovest S.p.A.; Director of Sirti S.p.A., Director HIIT S.p.A. and a Director of UnoPiù S.p.A.;

Alessandro Gabetti Davicini – Director – Member of the Control and Risks Committee (in office since 2010)

Born in 1965. He has acted as the General Manager of Lactalis Italia S.p.A., Strategic Development Director of the Galbani Group, General Manager of Companies within the Danone Group and as Chairman of the Board of Statutory Auditors of Big Logistica S.p.A..

Currently he is a Director of Fenera Holding S.p.A., Chief Executive Officer of Fenera Equity Investments S.r.l., Director of Tosetti Value S.r.l., Director of SDM S.r.l., Director of FDAH (Forno d'Asolo Holding) and a Sole Director Pantarei S.r.l..

Adriano Marconetto – Independent Director – Member of the Control and Risks Committee (in office since 2007)

Born in 1961, he is an entrepreneur focused in the technology start up sector. Between 1995 and 1999 he was the Marketing Director of BasicNet and subsequently the co-founder and Chairman of the Board of Directors of Vitaminic S.p.A., until 2003; between 2005 and 2012 he founded and subsequently acted as the General Manager of the company Electro Power System S.p.A. In 2012 he founded and managed the company ProxToMe, Inc.. He is involved in various non-profit activities.

Carlo Pavesio – Director – Chairman of the Remuneration Committee (in office since 1994)

Born in 1956, graduating in law and achieving a Masters of Laws (LL.M.) in 1980 at the London School of Economics. He completed an “internship” in 1980-1981 with the Economic Commission of the European community legal service in Brussels and was the “Visiting Foreign Lawyer” in 1985-1986.

He is a Senior Partner with the legal firm Pavesio and Associati, previously a partner with Allen & Overy and with Brosio Casati e Associati. His experience is principally centred on legal and non-legal questions and corporate and contractual law for Italian and foreign clients. He is specialised in M&A operations, joint ventures and corporate restructuring, in addition to generational transfer, governance and trusts.

Within the Group, he is a Director of BasicItalia S.p.A..

He is currently the Chairman of the Board of BasicWorld S.r.l., Non-Executive and Independent Director and member of the Supervisory Board of Pininfarina S.p.A., Non-Executive and Independent Director and member of the Group Investment Commission and Executive Committee of Reale Mutua Assicurazioni S.p.A., Non-Executive and Independent Director and Chairman of the Remuneration Committee of Fenera Holding S.p.A., Vice Chairman and Director of Farmaceutici Procemsa S.p.A, Director of Tosetti Value SIM S.p.A., Non-Executive and Independent Director of Italiana Assicurazioni S.p.A., Member of the Supervisory Board of the Piedmont Oncological Foundation;

Elisabetta Rolando – Director (in office since 2013)

Born in 1960, working from 1989 to 1992 as an assistant to the President of Football Sports Merchandise (S.p.A.) (now BasicNet S.p.A.), from 1994 to 1997 leading the company Mad Cap S.r.l., specialised in the production of promotional clothing and thereafter from 1997 to 1999 foreign purchases manager and promotional clients manager at Swingster Europe S.p.A. and from 1999 at the BasicNet Group as a senior manager.

Currently within the Group she holds the office of Chairman of BasicItalia and Chief Executive Officer of BasicItalia S.p.A. and Sole Director of BasicOutlet S.r.l..

Maximum number of offices held in other companies

The Board did not express an opinion on the maximum number of offices of Director or Statutory Auditor held in other listed companies (including abroad), in financial, banking and insurance companies or of a significant size which can be considered compatible with the undertaking of the office of Director, in that they consider that the assessment in relation to commitments deriving from any other offices in the afore-mentioned companies should be the remit of the shareholders on conferment of mandate and the individual members of the Board of Directors in relation to their respective availability. This assessment is carried out periodically on the appointment/renewal of the Board of Directors.

The self-assessment activities of the Board of Directors did not raise any issues in terms of the Directors having the appropriate time to discharge their duties.

Induction Programme

The Directors, in practice, have the facility to participate in meetings subsequent to their appointment and during their mandate with the Chairman and Management, in order to remain updated on corporate affairs and relevant changes. They also continually have access to financial and operational information from the BasicManagement portal.

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

The Board is invested with the widest powers deemed appropriate in order to achieve the Company's aims and objectives, with the sole exception of those that are expressly reserved for the Shareholders' Meeting by law. The Board of Directors, among other matters:

- a. reviews and approves the strategic and financial plans of the Company and of the Group, defines the organisational structure of the Companies of the Group and the corporate governance system of BasicNet; The implementation of the plan is usually reviewed at the meetings called for the approval of the interim financial statements;

- b. verifies the mapping of the corporate risks and their control. This activity seeks to evaluate the risk in defining the development potential of the Group; in this regard, during the Board of Directors meetings, detailed disclosure is provided on the activities carried out and upon the major operations executed by BasicNet S.p.A. and the Group companies. The Board examines from time to time significant operations carried out by the Issuer or the subsidiaries, also when such are within the powers conferred to the Chairman or the Chief Executive Officer. The following significant operations are within the remit of the Board of Directors: the acquisition and/or sale of company shares, companies, business units or brands of a value greater than Euro 3 million, the signing of sponsorship contracts with an annual cost of greater than Euro 5 million, debt operations of a value greater than 75% of the consolidated net equity, the granting of any guarantees, obligatory or secured by patronage letters (with the exception of subsidiaries) greater than Euro 2.75 million;
- c. evaluates the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries with strategic importance, which has been implemented by the Executive Directors with particular reference to the internal control and risk management system. In addition to the companies holding the brands, the strategic companies are BasicItalia S.p.A., which is the Italian licensee of the Group, BasicOutlet S.r.l., which manages the Group's retail operations, Basic Village S.p.A., a property company which manages the buildings and BasicNet Asia Ltd., a company which provides services throughout Asia, principally monitoring the sourcing centre activities, and the sub-licencee company Basic Properties America, Inc.. Continuity in the composition of the Board of Directors of the companies of the Group facilitates, in fact, those functions of control, timely disclosure and coordination of instructions to the subsidiaries;
- d. assigns and revokes the delegation of powers to the Executive Directors, establishing the limits and manner of exercising such power and the frequency of reporting, normally not less than three months, through which the Executive Directors must report to the Board on the activities undertaken in relation to the powers conferred, in accordance with Article 13 of the Company By-Laws;
- e. evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;
- f. examines and approves the company and its subsidiaries' operations prior to being carried out, when these operations have a significant strategic, economic, or financial importance for the Company, paying particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties, and, in general, transactions with related parties;
- g. undertakes, at least once a year, an evaluation on the size, on the composition and on the functioning of the Board and on the Committees, expressing opinions on professional appointees to the Board;

Article 16 of the Company By-Laws attributes to the Board the powers to deliberate on the incorporation and spin-off from the Company, in the cases permitted by law, transfer of the registered office within the national territory and the setting up and closure of secondary offices, appointing legal representation among the Directors, amendments to the By-Laws as permitted by regulations, and the reduction of share capital, in the case of withdrawal of a shareholder. In addition, in accordance with the first paragraph of Article 2410 of the Civil Code, the Board of Directors may approve the issue of bonds.

In 2014 six Board meetings were held, of an average duration of one and a half hours, at which all Board members attended. The "Sales" and "Sourcing" Vice President attends the meetings to provide appropriate evaluations on matters on the Agenda.

In January 2015, the company published its financial calendar which established the days for the five Board meetings for the review of the preliminary results, the approval of the 2014 separate and consolidated financial statements and the approval of the interim results. On February 10 the first meeting was held, which reviewed the 2014 preliminary results.

The documentation concerning the matters under discussion is generally sent in advance of the meetings of the Directors and Statutory Auditors. 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 and for confidentiality of information purposes.

The Control and Risks Committee, in the meeting of December 12, 2014, assessed the functioning of the Board and its Committees and presented the result of this assessment at the Board meeting of March 20, 2015. The Board of Directors, having considered the evaluations of the Control and Risks Committee, assessed the activities undertaken since its mandate, considered the continual presence of all Directors at the meetings, as well as the important contributions to the discussions, also of a professional nature and considered that the size, composition and function of the Board was appropriate to achieving the objectives of BasicNet S.p.A. and of the Group. The clarity and timeliness of the information prepared by the Chairman and the Chief Executive Officer concerning Board meetings, as well as the periodic updating on regulatory provisions and duties of the Directors, enabled the Directors to undertake their duties in a knowledgeable and informed manner. The number of Executive and Non-Executive Directors is also considered appropriate.

The Shareholders' AGM of April 29, 2013, on the appointment of the Board, permitted the Directors elected not to be restricted by a non-competitive clause, as per Article 2390 of the Civil Code, in consideration of the fact that they may cover similar offices in companies which undertake similar activities. The Directors are however requested, both on the acceptance of office and during the period of their office and thereafter, to report timely appointments in competing groups. None were issued.

4.4. EXECUTIVE BOARDS

The Board meeting of April 29, 2013 delegated:

- to the Chairman, Marco Daniele Boglione, 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 5 million with reference to the annual cost of sponsorship contracts, 75% of the consolidated net capital of the Company, in relation to financing operations and Euro 2.75 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies);
- to the CEO, Franco Spalla, all powers for ordinary and extraordinary administration with sole signature, within a limit of Euro 2 million for the acquisition and/or sale of quotas or shares in companies, enterprises, business units or brands, Euro 2 million with reference to the annual cost of sponsorship contracts, 75% of the consolidated net capital of the Company, in relation to financing operations and Euro 2 million for the granting of all secured and unsecured guarantees and patronage letters (with the exception of the subsidiary companies).

At the same meeting of April 29, 2013 the Director Paolo Cafasso was conferred, as Group Finance Director, executive powers for the administrative and financial management of the Company.

At the date of the present Report there are no interlocking directorates.¹

Chairman of the Board of Directors

The Board Meeting of April 29, 2013 noted that the accumulation of offices of Chairman and Executive Director of Marco Daniele Boglione was justified within the Corporate Governance practice of business continuity, in that he is the founder of the Group and has always been directly involved in the activities of the Company.

As already illustrated at point 2.C of the present Report, Mr. Marco Daniele Boglione holds 22,250,000 shares equal to 36.479% of the share capital, of which 22,071,666 shares, equal to 36.187% of the share capital, indirectly through the subsidiary held 90.58%, BasicWorld S.r.l. and, directly, 178,334 shares, equal to 0.292% of the share capital.

Executive committee (as per Article 123-bis, paragraph 2, letter d), CFA)

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

Reporting to the Board

The Executive Bodies report to the Board concerning the activities carried out during the year, at least quarterly.

¹The Self-Governance Code recommends that the chief executive officer does not undertake the position of Director with another issuer (not belonging to the same Group), where the chief executive officer is a Director of the Issuer.

4.5. OTHER EXECUTIVE DIRECTORS

In addition to the Chairman Marco Daniele Boglione, the Group's Executive Directors are the Chief Executive Officer, Franco Spalla, the Executive Directors Paolo Cafasso, Group Finance Director and Paola Bruschi, Chief Operational Officer, the Chairman of the Board of Directors of the strategic subsidiary BasicItalia S.p.A., Elisabetta Rolando and the Executive Vice Chairman of the subsidiary Basic Properties America, Inc., Maurizio Ameri and the Executive Director of BasicNet Asia Ltd., Alessandro Boglione.

4.6 INDEPENDENT DIRECTORS

The Board of Directors includes two Independent Directors: Giovanni Crespi and Adriano Marconetto.

The Board of Directors on their appointment to office and in the Board meeting of March 20, 2015 assessed the independence of the Directors Giovanni Crespi and Adriano Marconetto, both in relation to the requirements of Consob regulations and the criteria of the Self-Governance Code.

No specific meetings of the independent Directors are planned, however they may meet independently where considered necessary or beneficial at the margins of the Control and Risks Committee meetings, of which they are both members.

In accordance with the procedures for the transactions with related parties the independent Directors provide, where required, a non-binding opinion on the Board motions.

The criteria and procedures were reviewed by the Board of Statutory Auditors. For the year 2014 the Board of Statutory Auditors communicated the results of these controls in the report of the Board of Statutory Auditors to the Shareholders' AGM.

4.7 LEAD INDEPENDENT DIRECTOR

The Self-Governance Code recommends the appointment of a lead independent director by the Board of Directors where the Chairman controls the Issuer or is the main executive in charge of operations.

The Board of Directors, at the meeting of April 29, 2013, considered that the composition of the Board itself, in addition to the size and the organisational structure of the Company, permit the Chairman to execute his duties with impartiality and balance. At the meeting of December 12, 2014, the Control and Risks Committee, on the review of the corporate governance of the company, confirmed the functioning of the Board of Directors, given that the Chairman is not the only executive in charge of company management, in light of the various level of duties conferred to other Board members. In addition, the directors generally receive a flow of timely information and direct dialogue between the chairman and the independent directors is frequent.

5. HANDLING OF CORPORATE INFORMATION

The Board approved the procedure for the handling of confidential information, subsequently updated with the regulations on Market Abuse. This procedure contains the regulations for the internal management and external communication of confidential documents and information, in addition to the setting up and management, based on a specific IT procedure, of the Register for persons with access to confidential information.

Since April 1, 2006 the Internal Dealing Code of conduct has been applied which 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 144 and thereafter of the CFA.

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

In 2014, an internal dealing communication was published concerning operations carried out on the BasicNet share by the Director Alessandro Gabetti.

6. INTERNAL COMMITTEES TO THE BOARD (as per Article 123-bis, paragraph 2, letter d) CFA)

The Board meeting of April 29, 2013 appointed the Remuneration Committee and the Internal Control and Risk Committee.

The Board did not set up, as illustrated below, an Appointments Committee or other committees.

7. APPOINTMENTS COMMITTEE

In line with evaluations made in the past, the Board of Directors, also in view of the size and shareholding of the Company, did not consider it necessary to set up an Appointments Committee for the nomination of Directors, also given that, in accordance with Article 13 of the Company By-Laws, the Directors are elected through a slate voting mechanism. In addition, the Board of Directors retain that considerations on the size and composition of the Board of Directors, proposals to nominate candidates as Directors in the event of co-optation and succession planning of Executive Directors, fall within the remit of the entire Board of Directors and as such may be discussed and approved within the Board meetings.

8. REMUNERATION COMMITTEE

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

In the Board meeting of April 29, 2013 the Board appointed the Remuneration Committee composed of the Non-Executive Director Carlo Pavesio - Chairman, Daniela Ovazza, and the Non-Executive and Independent Director Adriano Marconetto.

The composition of the Committee does not comply with the Code which requires a majority of independent directors; in view of this and considering also the Related Parties Regulation, the independent Director Gianni Crespi also attends the meetings of the Remuneration Committee, expressing a consultative opinion on the issues on the Agenda.

The Chairman of the Committee, Carlo Pavesio, has knowledge and experience of remuneration policies, having held this position also in other companies.

The Board considers that the Committee adequately undertakes its duties, formulating proposals in line with the objectives and performance of the Group, considering the commitment of the individual Executive Directors. The proposals of the Committee have always been approved by the Board of Statutory Auditors, having consulted the Independent Director Gianni Crespi.

In 2014, two meetings were held. As a result of the meeting held on February 18, 2014, the Committee drew up a proposal to confirm that the Chairman of the Board of Directors would receive, for the period of his mandate, the use of a property unit called "Foresteria - loft People on the move", located within the "BasicVillage", and following the second meeting held on October 29, 2014, the Committee drew a proposal to allocate, with recognition to the income statement for the present year, a total of Euro 500 thousand as an incentive for the company's top management, to be issued on the basis of 2014 result. On February 10, 2015, the first meeting of the year was held, concerning the proposal, drawn up in light of the preliminary results presented, to grant a fixed sum remuneration for executive directors in the amounts individually reported in the column "Bonuses and other incentives" of table 1) of the Remuneration Report, in relation to which reference should be made to www.basicnet.com.

The Directors do not attend the Committee meetings in which the proposals are presented to the Board relating to their remuneration.

The workings of the Committee are usually recorded by the Chairman Carlo Pavesio.

The Committee's duties include the presentation to the Board of proposals for the drawing up of a general policy for the remuneration of executive directors and senior executives, evaluating periodically, on the preparation of the annual remuneration report, the adequacy and the overall consistency and concrete application of the general policy adopted for the remuneration of directors and senior executives, referring in this latter regard to the information received from the Chief Executive Officer, monitoring the application of the decisions adopted by the Board itself, verifying in particular, where necessary, the effective achievement of the prefixed objectives.

The Committee has access to the information and departments necessary for the carrying out of its remit. The committee did not utilise external consultants and does not avail of a specific expenses budget for the execution of its duties.

9. REMUNERATION OF DIRECTORS

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

On March 20, 2015, on the proposal of the Remuneration Committee, the Board, with the favourable opinion of all the Independent Directors, approved the remuneration policy of BasicNet S.p.A., which is available on the company website, with the Shareholders' Meeting documentation, at www.basicnet.com/

In summary, the Shareholders' Meeting approves the annual remuneration of all Board members. The remuneration of the Directors holding specific offices and for the members of the Internal Committees of the Board is determined by the Board of Directors, pursuant to Article 2389 of the Civil Code, on the proposal of the Remuneration Committee, having consulted the Independent Director Gianni Crespi and with the favourable opinion of the Board of Statutory Auditors.

For the executive directors, the remuneration policy of the Group does not provide for the fixing of performance objectives on which variable remuneration is based. Usually additional remuneration or bonuses identified by the Board of Directors is granted, on the proposal of the Remuneration Committee, amid strong results ahead of estimates. Given the current general market conditions, this amount is established ex-post. For these reasons, it was decided not to defer the variable part, nor undertake contractual agreements which enable the company to request the repayment, in full or in part, of the variable components of remuneration paid.

The structure of the Group does not include senior managers with strategic responsibility, as defined in Attachment 1 of the Consob Related Parties Regulation.²

The Board establishes in addition the remuneration of the members of the Committees, of the Supervisory Board, of the Internal Auditor and of the Executive in charge in the preparation of corporate accounting documents; for these latter two positions, no incentive mechanisms are provided for.

No stock option plans have been established for Directors.

Indemnity of the directors in case of dismissal and termination of employment following a public purchase offer (as per Art. 123 *bis*, para. 1, letter i) of the CFA)

The disclosures required by Article 123-bis, paragraph 1, letter 1) ("the agreements between the company and directors – which provide for indemnity in the case of dismissal without just cause or in the case in which the employment services cease after a public offer") are contained in the remuneration report pursuant to Article 123-ter of the CFA, available on the company's website www.basicnet.com.

10. CONTROL AND RISKS COMMITTEE

Composition and operation of the control and risks committee (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The present Control and Risk Committee was appointed in the Board meeting of April 29, 2013. The Committee is composed of three Directors, of which two independent: Giovanni Crespi, Independent and Non-Executive Director, Alessandro Gabetti Davicini, Non-Executive Director, Adriano Marconetto, Independent and Non-Executive Director. Since July 2011 the Director Giovanni Crespi has been a member of the Board of Directors of the subsidiary BasicItalia S.p.A., with oversight on control and risk management of the Company. On their appointment the Board considered that the members had adequate accounting and financial experience.

In 2014, the Committee met five times and had regular access to the corporate documents requested and principally reviewed:

- the reports prepared by the Internal Auditing and Supervision Board during 2014;
- the updating of the risk self-assessment document;
- the implementation of new procedures;
- the application of new compliance and disclosure regulations;
- the significant information relating to the company performance.

The Committee also met with the independent Audit firm to evaluate the correct application of the accounting principles and their uniformity in the preparation of the consolidated financial statements; Finally, on the conclusion of the process it assessed the results reported by the auditor.

²Key Management Personnel

Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

The Committee meetings, which were all documented in company records, held for a duration of approx. 2 hours, were attended by - in addition to the Committee members - the Finance Director and Group officer responsible for financial reporting, Paolo Cafasso, the Internal Auditing Head, the Executive Director responsible for internal control, Paola Bruschi, and the Chairman of the Board of Statutory Auditors, another statutory auditor and the Chairman of the Supervisory Board.

Duties attributed to the internal control and risks committee

The Committee proposes to the Board of Directors on the appointment, revocation and remuneration of the internal audit manager, as well as on the adequacy of the resources available for these duties. In particular, the Committee supports the Board of Directors as follows:

- evaluates, together with the executive responsible for the preparation of corporate accounting documents following the approval of the auditors and the board of statutory auditors, the correct application of the accounting principles and their uniformity in the preparation of the consolidated financial statements;
- expresses opinions on specific aspects concerning the identification of the principal corporate risks;
- examines the periodic reports, concerning the evaluation of the internal control and management of risks system and prepared by the internal audit department;
- monitors the independence, adequacy, efficacy and efficiency of the internal audit department;
- may request the internal audit department to carry out verifications on specific operational areas, simultaneously communicating such to the Chairman of the Board of Statutory Auditors;
- at least every six months, at the time of the approval of the annual and half-yearly accounts, reports to the board on the work carried out and the adequacy of the internal control system.

The Committee has access to the information and departments for undertaking their duties and may request the Board of Directors the assistance of external consultants.

The meeting of March 20, 2015 fixed a budget of Euro 40 thousand for the Committee to execute its duties.

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The internal control and risk system involves the processes that monitor the efficiency of the company operations, the reliability of the financial reporting, compliance with legislation and regulations and the protection of the company's assets.

The Board of Directors oversees the Internal Control and Risk Management system, defining the guidelines and periodically verifying the adequacy and effective functioning, ensuring that the principal corporate risks are identified and adequately managed.

The Board of Directors annually verifies the mapping of the corporate risks and their control. This activity, carried out with the support of the Director in charge of the Internal Control and Risk Management System and the Control and Risks Committee, seeks to evaluate the risk in defining the development potential of the Group. The Board has not established general numeric parameters to identify the nature and the level of risk compatible with the Group's strategic objectives, but from time to time reviews any significant operations carried out by the Issuer or the subsidiaries, also when such are within the scope of powers conferred to the Chairman or the Chief Executive Officer.

The Ethics Code, the Sourcing Centre Ethics Code and the organisational, management and control Model as per Legislative Decree 231/2001 and subsequent integrations, are an integral part of the internal control and risk management system. The rules of conduct contained in the model, continually evolving, integrate and strengthen the corporate control system through the preparation and continual updating of the related procedures.

The Internal Auditing department verifies the overall adequacy, efficiency and effectiveness of the internal control and risk management system, in particular, considering that some departments are centralised at the Parent Company, it contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments.

In order to ensure oversight on the Group directives and strategies some Directors of BasicNet S.p.A. are also members of the Board of Directors of the subsidiaries.

In the evaluation of the internal control and risk management system, the Board of Directors meeting of March 20, 2015 evaluated that the Risk and Control Committee and the Board of Statutory Auditors did not report any serious issues and consider that there are no significant weaknesses within the system, especially with reference to operations of potential conflict of interest, while within a continual evolution and search for improvements, the internal control and risk management system appears to meet the needs of the Company and of the Group.

Control and risk management system in relation to the financial reporting process (as per Article 123-*bis*, paragraph 2, letter b), of the CFA)

1) Introduction

The internal control and risk management system in relation to the financial reporting process (hereafter the System) is the set of overall rules and corporate procedures adopted by the various “.com” to permit, through an adequate identification process of the principal risks related to the preparation and dissemination of financial information, the reaching of the corporate objectives of true and fair disclosure.

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

For the completion of the system, a risk assessment was undertaken in order to identify and evaluate the risk areas which could arise such as to compromise the reliability of the financial reporting. 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 risk management and internal control 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;
- 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, this latter monitored directly by the Executive responsible for financial reporting.

The control and prevention activity, in tandem with the provisions of the Organisation and Management Model prepared pursuant to Legislative Decree 231/2001, provides for controls related to the assignment of responsibilities, powers and delegations, through the separation of duties and assignment of different access rights to the various IT applications, authorisations, reconciliations, as well as reasonable controls.

11.1 EXECUTIVE IN CHARGE OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The Executive Director Paola Bruschi was appointed at the meeting of April 29, 2013 to oversee the Control and Risks Committee.

Within this role Paola Bruschi oversees the functioning of the internal control and risk management system, identifying the principal corporate risks (operational, financial and compliance), implementing the guidelines defined by the Board and supervises the planning, realisation and the management of the internal control and risk management system, constantly verifying the overall

adequacy, efficiency and effectiveness, also with reference to the operating conditions and current legislative and regulatory requirements.

11.2 INTERNAL AUDIT DEPARTMENT MANAGER

The responsibility to verify the overall adequacy, efficiency and effectiveness of the internal control and risk management System was assigned to the Internal Auditing department. In particular, considering that some departments are centralised at the Parent Company, this department contributes to the verification of the correctness and functioning of the reporting process with the strategic subsidiary companies, as well as to the verification of the adequacy of the reporting system to ensure the quality of the reports of the various company departments. On appointment, the Board also determined the remuneration for this office, considered in line with the structure of the Group.

The Internal Audit manager, who does not report to any operating department, has access to all information considered necessary to carry out his role. The internal audit manager reports to the Internal Control Committee and to the Board of Statutory Auditors; in addition, he also reports to the executive director responsible for supervising the functioning of the internal control System.

The control activity is principally concentrated on monitoring the principal profitability indicators of some Group companies, through an online reporting instrument on the company's portal. This report constitutes an important monitoring instrument in real-time of the accounting activities and business performance: the data is available for each Group company and analysed by individual account item.

The Internal Auditing department was awarded to an external company which has no corporate ties to the Group. The activities were outsourced as it was considered that the head of the company, who had already undertaken similar work within the Group, had the necessary attributes to undertake such work efficiently within the Group, on an independent and professional basis.

11.3 ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001

The Ethics Code, the Sourcing Centre Ethics Code and the organisational, management and control Model as per Legislative Decree 231/2001 and subsequent supplements, are an integral part of the internal control and risk management system. The rules of conduct contained in the model, continually evolving, integrate and strengthen the corporate control system through the preparation and continual updating of the related procedures.

For the effective dissemination of the Ethics Code and of the organisation and control model these were published on the company's website www.basicnet.com in the area dedicated to Group employee time-keeping. The Ethics Code is presented on a video to all new employees of the Group and to all consultants.

The Board meeting of April 29, 2013 reappointed the members of the Supervisory Board, which was entrusted with the oversight of the Model and its development and reporting to the Board of Directors and Board of Statutory Auditors on a half-yearly basis.

The Board will consider requesting the Board of Statutory Auditors to execute the duties of the Supervisory Board on the conclusion of its current mandate in 2016.

11.4 INDEPENDENT AUDIT FIRM

The audit is carried out by an independent audit firm registered in the relevant registrar. The Shareholders' Meeting of April 30, 2008 appointed the audit firm PricewaterhouseCoopers S.p.A.. The appointment concludes with the approval of the 2016 Annual Accounts.

11.5 EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF CORPORATE ACCOUNTING DOCUMENTS

The Board meeting of April 29, 2013 appointed, with the favourable opinion of the Board of Statutory Auditors, the Executive Officer responsible for the preparation of financial statements as the Director Mr. Paolo Cafasso, Group Finance Director. Paolo Cafasso holds 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 the undertaking of his duties Mr. Paolo Cafasso 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; he may avail of an adequate organisational structure to

undertake his activities, utilising internal resources available and, where necessary, outsourcing; he may also, where necessary, utilise the financial resources of the company, providing adequate information to the Board of Directors, and he may utilise the Internal Auditing department for the mapping and analysis of processes and the execution of specific controls.

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

The information generated within the internal control system called BasicManagement and risk management shared on the web in a dedicated operating control section. The meetings of the Control and Risks Committee presented an opportunity to meet and coordinate with those involved in the system.

12. DIRECTORS INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

The Board of Directors, in accordance with Consob Regulation No. 17221 of March 12, 2010 adopted, with the favourable opinion of the Independent Directors, the procedure for transactions with related parties. The procedure was subsequently updated in July 2014, principally to further develop some of the operating terms for the identification of the significance of operations.

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

If, for a specific related party transaction, one of those Independent Directors is not available (insofar as, for example, being related), the functions are assigned to the other Unrelated Independent Director. In the absence thereof, the functions are carried out either by the Board of Statutory Auditors or by an independent expert appointed by the Board of Directors (Appointed Party).

Should the Independent Directors or the Appointed Party, as defined above, express a dissenting opinion on a transaction falling within the powers attributed to the Executive Bodies, this shall be submitted to the Board of Directors for approval. Where the transaction exceeds the limit of the powers assigned to the Executive Bodies, it shall be submitted to the Board of Directors for approval, and shall be subject to prior and non-binding opinion of the Independent Directors. The resolutions in relation to operations not undertaken at market value or standard value and significant operations in accordance with the parameters defined by Consob Regulation are reserved for approval by the Board of Directors.

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

Significant interest is not considered to exist by the mere sharing of one or more Directors or one or more senior management responsibilities between BasicNet and the companies of the subsidiary.

A procedure was implemented which transmits an alert mail through the "basicprocurement" order system by a related party, identified on the basis of declarations received from related parties (members of the Board of Directors and Board of Statutory Auditors).

In 2014, no resolutions were presented to the Board of Directors concerning transactions with related parties.

As outlined in the chapter concerning remuneration, the Board, with the favourable opinion of the Independent Directors and the Board of Statutory Auditors, in 2014 passed motions on two occasions concerning the remuneration of executive directors.

The procedure is available on the company's website: www.basicnet.com

13 APPOINTMENT OF STATUTORY AUDITORS

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

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

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

The slate is composed of two sections: one for the candidates for the office of Standing Auditor and the other for candidates for the office of Alternate Auditor. The slates, with a number of candidates greater than three, 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.

In the case of violation of this rule no consideration is taken on the vote of the shareholder on any list;

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

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

In accordance with Article 1, paragraph 3, of the Ministry for Justice Decree No. 162 of March 30, 2000:

the sectors closely related to those in which the company operates are:

- for 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;
- for the management and development of brands.

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

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

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

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

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

The procedure for electing Statutory Auditors are as follows:

- a. from the slate which obtained the highest number of votes in the shareholders' meeting, based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;
- b. from the slate which obtained the second highest number of votes at the shareholders' meeting, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

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

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

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

Where it is not possible to proceed with the appointment according to the above system, the

Shareholders' Meeting deliberates by statutory majority.

Where his/her legal requisites no longer exist, the statutory auditor must leave office.

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

For the supplementation of the Board of Statutory Auditors:

- for the supplementation of the Statutory Auditors from the majority slate the appointment is made through a relative majority of the share capital represented at the Shareholders' Meeting, choosing from among the candidates indicated on the majority slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions;

- for the supplementation of the Statutory Auditors from the minority slate, including the Chairman 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 Chairman 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 which whose mandate concludes from the same slate, ensuring that the composition of the Board of Statutory Auditors complies with the legally-required gender balance provisions.

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

14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (as per Article 123-*bis*, paragraph 2, letter d) CFA)

The members of the Board of Statutory Auditors were appointed by the Shareholders' Meeting of April 29, 2013 on the basis of a single slate, filed by the shareholder BasicWorld S.r.l., holder at that date of 36.187% of the Share Capital, as no other slate was received within the time period required by the regulations by a shareholding of at least 2.25% of the voting rights.

The composition of the Board of Statutory Auditors is in line with the "gender quota" required by the new Consob regulation.

Each member of the Board of Statutory Auditors possess the good standing and professional requirements in accordance with law and the Company By-Laws. The Board of Statutory Auditors verified the independence of their members based on the criteria of the new Self-Governance Code, confirming the independence of the members in accordance with the above-mentioned code, although the Statutory Auditors are in office for over nine years.

The documentation filed for the purposes of the appointment, including the updated curriculum vitae of the statutory auditors, is available on the website www.basicnet.com.

A brief curriculum vitae of the members of the Board of Statutory Auditors in office, with indication of the offices held within the Group or in other listed companies or companies of significant size is listed below.

Massimo Boidi - Chairman of the Board of Statutory Auditors (in office since 1989)

Born in 1955. Since 1981 he has acted as a Certified Accountant and since 1988 an auditor. He was a Professor at the Faculty of Economics of the Turin University for "Legal, fiscal and regulatory issues" for the level 1 Masters in Private Banking for the year 2010-2011. Since 1980, he has collaborated also with the Economic Law Institute, also at the Economics Faculty, where he continues to act as the resident expert on Commercial Law. He is a member of the Turin-Ivrea and Pinerolo Certified Accountant Association for the four-year period 2013-2016 and the co-manager of the "231 Working Group" at the Turin-Ivrea-Pinerolo Certified Accountant Association.

He is a Director overseeing the "Corporate Controls" area of the Turin-Ivrea-Pinerolo Certified Accountant Association and since April 2013 Chairman of the Board of Directors of "Synergia Consulting Group S.r.l.", a professional alliance of 15 of the most cited Italian commercial research centres, located throughout Italy.

Since March 2015 he has been the Chairman of the Research Group in the corporate law field at the Italian Accounting Organisation.

His professional activities principally include tax and corporate consultancy, both domestically and internationally, acting as the Chairman of the Board of Statutory Auditors or as a Statutory Auditor or a member of the Supervisory Board for a number of companies.

Collaborates, in addition, with specialised sector magazines, publishing Articles relating to tax, legal, and corporate liability issues concerning companies the entities.

He has been the speaker in the same sector at a large number of conventions and research conferences.

Within the Group, he is Chairman of the Board of Statutory Auditors of BasicItalia S.p.A. and a Statutory Auditor of BasicVillage S.p.A..

He holds the position of Vice Chairman of Assofiduciaria, Chairman of the Board of Directors of Assoservizi Fiduciari S.r.l. a sole shareholder company, Chairman of the Board of Directors of Torino Fiduciaria Fiditor S.r.l., Chairman of the Board of Directors of Synergia Consulting Group s.r.l., Statutory Auditor of Autoliv Italia S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of BasicWorld S.r.l., Chairman of the Board of Statutory Auditors of Casco Imos S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of Consorzio Salame Piemonte, Chairman of the Board of Statutory Auditors of Consorzio per la formazione universitaria in economia aziendale, Chairman of the Board of Statutory Auditors of Db Schenker Rail Italia Srl, sole Statutory Auditor of Db Schenker Rail Italia S.r.l with sole shareholder, Chairman of the Board of Statutory Auditors of Dytech – Dynamic Fluid Technologies S.p.A. with sole shareholder, Statutory Auditor of Ecopack S.p.A., Chairman of the Board of Statutory Auditors of Ekipo S.p.A., Chairman of the Board of Statutory Auditors of Erre Esse S.p.A., Chief Executive Officer of Fidicont S.r.l., Statutory Auditor of Finpat S.p.A., Chairman of the Board of Statutory Auditors of Fondazione Stadio Filadelfia, sole statutory auditor of GJP S.r.l. with sole shareholder, Chairman of the Board of Statutory Auditors of Italcables S.p.A. in liquidation, Chairman of the Board of Statutory Auditors of Jacobacci & Partners S.p.A., Chairman of the Board of Statutory Auditors of Litmat S.p.A., Chairman of the Board of Statutory Auditors of Nuovi Investimenti S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of Quinto S.p.A. with sole shareholder, Chairman of the Board of Statutory Auditors of Saft S.p.A., Statutory Auditor of Sangiorgio Costruzioni S.p.A., of Suzuki Italia S.p.A with sole shareholder, Chairman of the Management Board of Porsche Club Piedmont and Valle d'Aosta.

Carola Alberti – Statutory Auditor (in office since 1999)

Born in 1957, she qualified as a Certified Accountant in 1985 and as an auditor in 1990. She has been enrolled at the Court-appointed Technical Consultants register since 1997 and on the Experts' Register of the Turin Court since 1999.

Since March 1983 she has been an associate with the Studio Boidi & Partners firm in Turin.

Her professional activities concern tax and corporate consultancy, principally with companies and groups, and assistance and consultancy in the tax dispute field.

She is a Standing Auditor with a number of companies.

Within the group, she is a Statutory Auditor of BasicItalia S.p.A. and of BasicVillage S.p.A..

She holds the office of Statutory Auditor of Ekipo S.p.A., Statutory Auditor of Erre Esse S.p.A., Statutory Auditor of Italcables S.p.A. in liquidation and Statutory Auditor of BasicWorld S.r.l.

Maurizio Ferrero – Statutory Auditor (in office since 2001)

Born in 1963. Certified Accountant and Auditor and Court-appointed Technical Consultant. Chairman and member of the Board of Statutory Auditors of listed companies, of companies subject to the oversight of the Bank of Italy and companies belonging to international groups operating in the naval, automotive, engineering or metallurgical sectors. Member of the Board of Auditors of non-profit bodies. Member of the Technical-Scientific Committee for innovation of Synergia Consulting Group.

He is involved in corporate, fiscal and financial market legal consultancy for IPOs, MTBs, (Public Purchase Offers), valuations of businesses and enterprises, preparation of expert opinions, consultancy, negotiation and tax and contractual assistance in business combination operations, fiscal due diligence and accountancy in support of transactions, tax consultancy, financial statements and financial market law for mutual funds and financial brokers (SGR / SIM), tax and legal consultancy for banking and non-banking foundations and IAS tax compliance for businesses.

He holds the office of Statutory Auditor of Attività industriali Merlo S.p.A, Statutory Auditor of Blu Acquario prima S.p.A., Statutory Auditor of Erredi Invest S.p.A.; Chairman of the Board of Statutory Auditors of Fidia S.p.A., Chairman of the Board of Statutory Auditors of Flash S.p.A., Chairman of the Board of Statutory Auditors of Giugiaro Architettura & Structures S.p.A., Statutory Auditor of Ferrero S.p.A., Statutory Auditor of Ibis S.p.A., Auditor of the Istituto Superiore Mario Boella, Chairman of the Board of Statutory Auditors of Italdesign – Giugiaro S.p.A., Chairman of the Board of Statutory Auditors of Martin Bauer S.p.A., Chairman of the Board of Statutory Auditors of Torino Zerocinque Trading S.p.A..

Fabio Pasquini – Alternate Auditor (in office since 1999)

Born in 1953, he qualified as a certified accountant and auditor. He acts principally in the tax and corporate consultancy fields, both domestically and internationally, and in the tax planning field, acting as a Director and member of the Board of Statutory Auditors on a number of companies and bodies.

Expert in problem issues relating to the acquisition and sale of enterprises and companies, in addition to real estate sector consultancy.

Appointed to assist and represent contributors in tax disputes before the tax commissions.

Within the group, he is a Statutory Auditor of BasicItalia S.p.A..

He holds the office of Statutory Auditor of Autoliv Italia S.p.A. with sole shareholder, Statutory Auditor and Member of the Supervisory Board of Cassa di Risparmio in Bologna S.p.A., Member of the Supervisory Board of Eurocons SCARL, Chairman of the Supervisory Board of Eurofidi – Società Consortile di Garanzia Collettiva FIDI S.C.P.A., Sole Statutory Auditor of Immobiliare Savoia S.r.l., Statutory Auditor of Jacobacci & Partners S.p.A., Chairman of the Board of Directors of Fidicont S.r.l., Sole Director of Quintana Immobiliare S.r.l., Chairman of the Board of Statutory Auditors of Sangiorgio Costruzioni S.p.A., Statutory Auditor of Michelin Italiana S.p.A., Statutory Auditor of Tipo S.r.l., Chief Executive Officer of Torino Fiduciaria Fidor S.r.l.

He has also acted as a Director and/or Statutory Auditor at a number of companies and bodies, including: Finpiemonte S.p.A., Compagnia di San Paolo, Intesa Sanpaolo S.p.A., Mediafactoring S.p.A. and the Committee for the Organisation of the XX Winter Olympic Games, Turin 2006.

Alessandra Vasconi – Alternate Auditor (in office since 2010)

Born in 1965, she qualified as a Certified Accountant in 1992 and as an auditor in 1995.

His professional activities principally include corporate consultancy (ordinary and extraordinary corporate operations), accountancy (preparation of financial statements of companies and groups) and fiscal related (consultancy and assistance with regard to direct and indirect taxation) for companies and bodies, both privately and publicly held. He provides assistance and consultancy in the field of tax disputes.

He is a Statutory Auditor of F.I.R.A.D. S.p.A..

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

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

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

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

15. RELATIONS WITH SHAREHOLDERS

The Chairman and Chief Executive Officer, who also undertakes the role of Investor Relator, actively undertakes dialogue with the shareholders, as well as with the institutional investors.

In addition, since its stock market listing, the dialogue with investors was further encouraged through an adequate updating of the contents on the internet site of the Company www.basicnet.com, which includes information of a financial/economic nature (annual reports, half-year and quarterly reports, share price information), and updated documents for all of the shareholders (composition of corporate boards, Company By-Laws and Shareholder Meeting Regulations, Corporate Governance Report, Ethics Code, Group organisation structure and its activities), as well as reports prepared for the Shareholders Meetings. The press releases relating to the Brands and Companies of the Group, as well as the Chairman Marco Daniele Boglione and the Chief Executive Officer Franco Spalla are also available.

16. SHAREHOLDERS' MEETINGS (as per Article 123-*bis*, paragraph 2, letter c), CFA)

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

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

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

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

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

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

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

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 Chairman: 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 the necessary information for the undertaking of fully informed decisions.

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

17. FURTHER CORPORATE GOVERNANCE PRACTICES (as per Article 123-*bis*, paragraph 2, letter a), CFA)

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

18. CHANGES SUBSEQUENT TO THE YEAR-END

There were no changes after the year-end.

TABLE 1 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors													Control and Risks Committee		Remuneration Committee	
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Exec.	Non exec.	Ind. Code	Ind. CFA	Number of other offices ***	(*)	(*)	**	(*)	**
Chairman of the Board of Directors (with operating powers)	Marco Daniele Boglione	1956	1984	30/04/2013	31/12/2015	M	x				4	6/6				
Vice Chairman of the Board of Directors (without powers)	Daniela Ovazza	1956	1994	30/04/2013	31/12/2015	M		x			3	6/6			2/2	M
Chief Executive Officer	Franco Spalla	1952	2001	30/04/2013	31/12/2015	M	x				1	6/6				
Director	Paola Bruschi	1967	2007	30/04/2013	31/12/2015	M	x					6/6				
Director with powers	Paolo Cafasso	1956	1995	30/04/2013	31/12/2015	M	x					6/6				
Independent director	Giovanni Crespi	1959	2007	30/04/2013	31/12/2015	M		x	x	x	4	6/6	5/5	P	2/2	
Director	Alessandro Gabetti Davicini	1965	2010	30/04/2013	31/12/2015	M		x			6	6/6	5/5	M		
Independent director	Adriano Marconetto	1961	2007	30/04/2013	31/12/2015	M		x	x	x	1	6/6	5/5	M	2/2	M
Director	Carlo Pavesio	1956	1994	30/04/2013	31/12/2015	M		x			9	6/6			2/2	P
Director	Elisabetta Rolando	1960	2013	30/04/2013	31/12/2015	M	x					6/6				
-----DIRECTORS RESIGNING DURING THE YEAR-----																
Number of meetings held in the year:			Control and Risks Committee				5				Remuneration Committee:		2			
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 147 CFA) 4.5%																

NOTE

The following symbols must be indicated in the "Office" column:

- This symbol indicates the Director in charge of the internal control and risk management system.
- ◇ This symbol indicates the main person responsible for the Issuer's operative management (Chief Executive Officer or CEO).
- This symbol indicates the Lead Independent Director (LID).
- * The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.
- ** This column indicates the slate from which each Director originated ("M": majority slate; "m": minority slate; "BoD": slate presented by the BoD).
- *** This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.
- (*) This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).
- (**) This column indicates the position of the Director on the Committee: "C": chairman; "M": member;

TABLE 2 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Directors									
Office	Members	Year of birth	Date of first appointment *	In office from	In office until	Slate **	Ind. Code	Attendance at Board meetings ***	Number of other offices ****
Chairman	Massimo Boidi	1955	1989	30/04/2013	31/12/2015	M	Yes	4/4	30
Standing Auditor	Carola Alberti	1958	1999	30/04/2013	31/12/2015	M	Yes	4/4	7
Standing Auditor	Maurizio Ferrero	1964	2001	30/04/2013	31/12/2015	M	Yes	4/4	13
Alternate Auditor	Fabio Pasquini	1953	1999	30/04/2013	31/12/2015	M	Yes	na	15
Alternate Auditor	Alessandra Vasconi	1965	2001	30/04/2013	31/12/2015	M	Yes	na	1
-----STATUTORY AUDITORS RESIGNING DURING THE YEAR-----									
Number of meetings held in the year: 4									
Quorum required for the presentation of slates by minority shareholders for the election of one or more standing members (as per Art. 148 CFA): 4.5%									

NOTE

- * 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 the Issuer.
- ** This column indicates the slate from which each Statutory Auditor originated ("M": majority slate; "m": minority slate).
- *** This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).
- **** This column indicates the number of offices of director or statutory auditor in accordance with Article 148 bis of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers' Regulations.