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Oggetto : BOARD OF STATUTORY AUDITORS'  
REPORT INCLUDING REASONED  
PROPOSAL TO THE MEETING FOR THE  
APPOINTMENT OF THE NEW AUDITING  
COMPANY

<i>Testo del comunicato</i>
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Vedi allegato.

## **EARLY CONSENSUAL TERMINATION OF THE AUDIT ENGAGEMENT CURRENTLY IN FORCE BETWEEN GIGLIO GROUP S.P.A. AND EY S.p.A.<sup>1</sup> AND REASONED PROPOSAL FOR THE APPOINTMENT OF THE NEW AUDITING COMPANY<sup>2</sup>.**

To the Shareholders' Meeting of Giglio Group S.p.A.

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### **1. Early consensual termination of the audit engagement currently in force between Giglio Group S.p.A. and EY S.p.A.<sup>3</sup>.**

This Board of Statutory Auditors' Report includes the observations made pursuant to the Ministerial Decree no. 261 of 28 December 2012 - the Regulation concerning the revocation, resignation and consensual termination cases and modalities for the auditing company, in accordance with Art. 13, par. 4 of Legislative Decree no. 39 of 27 January 2010 and, in particular, the case of early termination of audit engagement assessed in this Report is that of "Consensual Termination", governed by Art. 7 of the aforementioned Ministerial Decree, as well as the reasoned proposal for the appointment of a new auditing company pursuant to Art. 13, par. 1 of Legislative Decree no. 39 of 27 January 2021 and in accordance with EU Regulation no. 537 of 16 April 2014, aimed at ensuring the continuity of legal auditing activities.

The Board of Directors of Giglio Group S.p.A., in the Meeting of 25 October 2021, assessed the hypothesis of early termination of the audit engagement with EY S.p.A. and, in this context, the CEO Marco R. Belloni engaged in preliminary contacts with EY S.p.A., which led to a reciprocal exchange that brought forward the intention to proceed with a consensual termination of the existing audit engagement.

Indeed, following EY S.p.A.'s request of 11 October 2021 to increase the audit fees for the Interim Condensed Consolidated Financial Statements as of 30 June 2021, together with the request to restate the time frames and the fees of the original proposal approved by the Company's Meeting of 11 May 2018, the Company replied on 15 October, highlighting, inter alia:

1. *"objectively significant increases, which risk to make overly burdensome the existing agreement";*
2. *"the high amount of the requests for additional fees has a significant impact on the existing contractual arrangements";*

and, consequently, the Company decided to undertake a market survey for any eventual "offer

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<sup>1</sup> Pursuant to Art. 7 of the Ministerial Decree no. 261/2012 in accordance with Art. 13, par. 4 of Legislative Decree no. 39 of 27 January 2010

<sup>2</sup> Pursuant to Art. 13, par. 1 of Legislative Decree no. 39 of 27 January 2010, consolidated with Legislative Decree no. 135/2016 and EU Regulation no. 537 of 16 April 2014.

<sup>3</sup> Pursuant to Art. 7 of the Ministerial Decree no. 261/2012 in accordance with Art. 13, par. Art. 4 of Legislative Decree no. 39 of 27 January 2010.

*of the same services, on the same efficiency and effectiveness conditions of the auditing as those of the service currently provided, but at a reduced cost, taking into consideration the SME nature of the Group", thus asking EY S.p.A. to assess and give its consent for a consensual termination of the existing agreement.*

On 19 October 2021, EY S.p.A., without prejudice to its position and thus confirming its request for increased fees, also confirmed its availability to assess the eventual consensual termination of the existing audit engagement, also due to the complex procedures for the performance of its tasks, also expressing its availability for the purpose of facilitating the handover to the new auditing company in the best interest of the Company and of other third parties.

For this reason, the Board of Directors resolved to proceed, in accordance with the Board of Statutory Auditors, with a call for tenders for a new auditing company, thus identifying: Audirevi S.p.A., Ria Grant Thornton S.p.A., BDO S.p.A. and KPMG S.p.A. as possible candidates, by virtue of Art. 13, par. 1 of Legislative Decree no. 39 of 27 January 2010, companies that had expressed, in substance, their availability in advance.

On 8 November 2021, the Company and EY S.p.A. subscribed the "Consensual Termination Agreement", in which the considerations and observations made in the e-mail exchange between the parties were included, thus underlining that the termination *"is by no means due to differences of opinion with regard to accounting treatments or auditing procedures"*.

The Board of Statutory Auditors, during the process, met on various occasions for the purpose of examining the aforementioned documents, assessing, pursuant with the existing laws, the reasons that justify the early consensual termination of the audit engagement with EY S.p.A. and submitting a reasoned proposal for the appointment of the new auditing company.

## **2. The selection process**

The Board of Statutory Auditors, through the CEO and the Financial Reporting Officer, asked the aforementioned auditing companies to provide a binding offer for the following tasks:

- Legal audit of the Separate and Consolidated Financial Statements of Giglio Group S.p.A. as of 31 December for fiscal years going from 31 December 2021 to 31 December 2029;
- Limited financial audit of the Interim Condensed Consolidated Financial Statements of Giglio Group S.p.A. for the interim periods going from 30 June 2022 to 30 June 2029;
- Legal audit of the reporting package of IBOX SA as of 31 December for the purpose of the draft of the Consolidated Financial Statements;
- Desk review activities on Giglio Group's subsidiaries and companies within its consolidation scope, of minor and non-strategic importance.

It is specified that the request included the formulation of the audit proposal for the Financial Statements of Salotto di Brera S.r.l. and E-Commerce Outsourcing S.r.l., whose offers were not considered for the purpose of this report, as they are of competence of their respective administrative board meetings.

The final offers were submitted by:

- Audirevi S.p.A. (hereinafter also referred to as "**Audirevi**"), on 3 November 2021;
- Ria Grant Thornton S.p.a. (hereinafter also referred to as "**RIA GT**"), on 2 November 2021;
- BDO S.p.A. . (hereinafter also referred to as "**BDO**"), on 29 October 2021;

all of the companies are listed in the register set forth in Art. 7 of Legislative Decree no. 39 of 27 January 2010.

On 3 November 2021, the company KPMG S.p.A. announced its intention to withdraw from the tender and, as such, not to submit an offer, having stated its unavailability to meet the Company's request, on the same efficiency and effectiveness conditions of the auditing as those of the service currently provided, to reduce the auditing costs for the aforementioned tasks.

All proposals include the explicit commitment of the applicants to assess the appearance of the situations governed by Art. 10 ("*Independence and objectivity*") and 17 ("*Independence*") of Legislative Decree no. 39 of 27 January 2010 and, if appropriate, by Art. 149-bis of the Issuers Regulation, and by Art. 149-quater and 149-undecies of the same Regulation.

Moreover, for the purpose of assessing and constantly monitoring the lack of causes of incompatibility that may compromise the audit engagement, each applicant:

- provided the list of the names of its partners/associated, of the members of its administrative body and of the members of the administrative bodies of the entities belonging to its network;
- asked the Company awarding the mandate of auditor to promptly announce any change in its corporate structure, as well as in that of its subsidiaries, parent companies and companies subject to joint control;
- undertook the commitment to annually confirm its independence to the Internal Control and Financial Audit Committee (in written form), to give notice to the same body of any other non-audit service provided also by its network of companies, as well as to address with the same body any independence risk and adequate prevention measures.

From the examination of the offers it arose that, pursuant to the law and, thus, in accordance with Art. 17, par. 4 of Legislative Decree no. 39 of 27 January 2010, the same offers contain the commitment to provide the Company with the name of another audit responsible within 7 financial years and that, for the years included in the mandate, the following activities shall be carried out:

- Legal audit of the Separate and Consolidated Financial Statements of Giglio Group S.p.A. as of 31 December for fiscal years going from 31 December 2021 to 31 December 2029;
- Limited financial audit of the Interim Condensed Consolidated Financial Statements of Giglio Group S.p.A. for the interim periods going from 30 June 2022 to 30 June 2029;
- Legal audit of the reporting package of IBOX SA as of 31 December for the purpose of the draft of the Consolidated Financial Statements;

- Desk review activities on Giglio Group's subsidiaries and companies within its consolidation scope, of minor and non-strategic importance.

Moreover, in accordance with Art. 11 of the Legislative Decree no. 39 of 27 January 2010, the companies refer to the adoption of the International Auditing Standards (ISA Italia), adopted with Resolution of the State Accountant General of 23 December 2014.

The collection of the required information was thus completed through video meetings held by the Board of Statutory Auditors and organised by the Company in the presence of the Financial Reporting Officer:

- with all candidates, requesting the clarifications and information needed for the assessment object of this reasoned proposal;
- with the Financial Reporting Officer, with which it addressed the respective competences and responsibilities and, of course,
- with the Board itself, for the purpose of taking into consideration the documents and the information acquired during the procedures undertaken.

### 3. Selection outcome

The Board of Statutory Auditors thus considered the proposals of candidates Audirevi, BDO and RIA GT. From their assessments, it gathered the following summary data on:

- the fees to be considered, relating to each fiscal year included in the mandate, other than the operating costs and/or expenses, contributions (pension funds, Consob or other supervisory bodies), VAT and alignment on the basis of the change of the Istat index; and
- the estimated hours worked per financial year and for the entire scope of the audit.

Service	AUDIREVI		BDO		GRANT THORNTON	
	HOURS	FEES	HOURS	FEES	HOURS	FEES
Legal audit of the Separate and Consolidated Financial Statements of Giglio Group S.p.A. as of 31 December for fiscal years going from 31 December 2021 to 31 December 2029;	822	67,052.00	1160	109,930.00	665	32,000.00
Limited financial audit of the Interim Condensed Consolidated Financial Statements of Giglio Group S.p.A. for the interim periods going from 30 June 2022 to 30 June 2029	408	32,885.00	430	39,880.00		13,000.00
Legal audit of the reporting package of IBOX SA as of 31 December for the purpose of the draft of the Consolidated Financial Statements	272	22,304.00	190	16,850.00	105	8,000.00
Desk review activities on Giglio Group's subsidiaries and companies within its consolidation scope, of minor and non-strategic importance						5,000.00
<b>Total</b>	<b>1502</b>	<b>122,241.00</b>	<b>1780</b>	<b>163,660.00</b>	<b>770</b>	<b>58,000.00</b>
Investment/reduction		- 27,241.00		- 53,660.00		
<b>Net total</b>	<b>1502</b>	<b>95,000.00</b>	<b>1780</b>	<b>110,000.00</b>	<b>770</b>	<b>58,000.00</b>
Lump-sum costs		9,500.00		5,500.00		5,500.00
<b>Total</b>	<b>1502</b>	<b>104,500.00</b>	<b>1780</b>	<b>115,500.00</b>	<b>770</b>	<b>63,500.00</b>
<b>hourly fee before investment/reduction</b>	<b>81.39</b>		<b>91.94</b>		<b>75.32</b>	

The data was taken into account together with the professional and organisational profit analysis specifically carried out with regard to:

- The adequacy of the coverage of corporate activities;

- ii. The previous experience in the e-commerce sector;
- iii. The performances efficiency (estimated hours, quantitative/qualitative teams composition, type of professional figure required);
- iv. The absence of hindrances due to conflicts of interest, the presence of incompatibility and independence issues, pursuant to professional standards and to the regulations in force on the subject;
- v. The offer of similar services to companies listed in Italy;
- vi. The internal presence of technical accounting structures and the participation in national and international consulting bodies for audit professionals;
- vii. The strategy/audit plan and the use of any instrument to support the audit procedure;
- viii. The interaction process with corporate and/or supervisory bodies;
- ix. The composition of the team that will actually perform the audit activity.
- x. Comparison with EY S.p.A.'s original proposal, both before and after the request of fees' increase, taking into specific account the amount of working hours provided by each proposal and their management, in view of the organisational structure of the Company.

From this activity, the following summary table emerged, obtained upon the conclusion of an applications' analysis and assessment procedure in which each member of the Board of Statutory Auditors expressed an opinion going from 1 to 3 (ascending positive agreement) for each profile and each candidate. The opinions were thus unanimously re-elaborated as follows by the Board of Statutory Auditors:

#	Description	AUDIREVI	BDO	RIAGT
1	The adequacy of the coverage of corporate activities	8	8	7
2	The previous experience in the e-commerce sector	5	9	4
3	The performances efficiency (estimated hours, quantitative/qualitative teams composition, type of professional figure required)	6	9	4
4	The absence of hindrances due to conflicts of interest, the presence of incompatibility and independence issues, pursuant to professional standards and to the regulations in force on the subject	9	9	8
5	The offer of similar services to companies listed in Italy	5	8	4
6	The internal presence of technical accounting structures and the participation in national and international consulting bodies for audit professionals	6	8	8
7	The strategy/audit plan and the use of any instrument to support the audit procedure	6	9	7
8	The interaction process with corporate and/or supervisory bodies	6	8	6
9	The composition of the team that will actually perform the audit activity	5	9	6
		<b>56</b>	<b>77</b>	<b>54</b>

#### 4. Conclusion and reasoned proposal

The Board of Statutory Auditors, having assessed the "Consensual Termination Agreement" for the audit engagement with EY S.p.A. and having to ensure the continuity of the audit activity with the appointment of a new auditing company, upon the conclusion of the aforementioned comparative assessment carried out both qualitatively and quantitatively, and having to consider that:

- The agreement underlines the onerous nature of the contract and does not entail any difference of opinion with regard to accounting treatments or auditing procedures;
- The agreement underlines the requirement to receive an *“offer of the same services, on the same efficiency and effectiveness conditions of the auditing as those of the service currently provided”*;
- The object of the mandate, as defined in the offers assessed for the purpose of the legal audit of fiscal years 2021-2029, is substantially homogeneous and in line with the service provided by EY, also due to the degree of complexity of its execution;
- On the basis of the information collected, there are no elements that may compromise the independence of the candidates nor the existence of any cause of incompatibility on their behalf;
- Art. 15, par. 2 of EU Regulation no. 537/2014 provides for the existence of at least two possible, alternative appointment proposals within the reasoned proposal made to the Shareholders' Meeting by the Board of Statutory Auditors;
- Art. 16, par. 2 of EU Regulation no. 537/2014 requires the Board of Statutory Auditors to express a duly justified preference for one of the two proposals;

**recommends**

to the Shareholders' Meeting of Giglio Group S.p.A., pursuant to Art. 15, par. 5 of EU Regulation no. 537/2014, as well as to Art. 13, par. 1 and to Art. 17, par. 1 of Legislative Decree no. 39/2010, alternately between them, the proposals submitted by BDO and Audirevi for fiscal years 2021-2029, whose economic (fees) and total effort components (working hours) for the aforementioned activities have been previously analysed in detail,

**expresses**

its preference for **BDO S.p.A.** whose proposal is deemed structurally more adequate for the Company's needs, having attained, upon completion of the procedure carried out, a higher score.

The Board of Statutory Auditors declares that the aforementioned proposal is not influenced by third parties and that no contractual clause of the type set forth in Art. 16, par. 6 of the EU Regulation no. 537/2014 has been applied.

This Report, together with the Director's Explanatory Report and the resolution of the Shareholders' Meeting for the early consensual termination of the existing audit engagement and the appointment of a new auditing company shall be submitted by Giglio Group S.p.A. to Consob pursuant to the applicable regulation.

\* \* \*

Milan, 8 November 2021

The Board of Statutory Auditors of Giglio Group S.p.A.

Giorgio Mosci

Marco Andrea Centore

Lucia Tacchino

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



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