

Recommendation of the Board of Statutory Auditors of Geox S.p.A. for the appointment of the independent audit firm for the period 2022-2030 – pursuant to art. 13, paragraph 1 and art. 17, paragraph 1 of Italian Legislative Decree no. 39 of 27 January 2010, as amended, respectively, by art. 16 and art. 18 of Italian Legislative Decree no. 135 of 17 July 2016 and art. 16 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014.”

1. Introduction

With the approval of the financial statements for the year 2021, the statutory audit assignment for the nine-year period 2013-2021, granted to Deloitte & Touche S.p.A., will expire.

According to the current legislation on statutory audit, last amended by Regulation (EU) no. 537/2014 and by Italian Legislative Decree no. 39/2010 supplemented by Italian Legislative Decree no. 135/2016:

- Deloitte & Touche S.p.A. cannot be reappointed unless at least four financial years have elapsed since termination of the current assignment;
- The new appointment of the independent audit firm must take place through a specific selection procedure.

In order to ensure an adequate handover between the outgoing and incoming audit firms, as well as to guarantee compliance with the time limits set to safeguard auditor independence, the Board of Statutory Auditors, acting in its capacity as Internal Control and Audit Committee pursuant to art. 19 of Italian Legislative Decree no. 39/2010, in agreement with the competent corporate functions, has initiated and completed the selection procedure for appointing the independent audit firm for the nine-year period 2022-2030.

The Board of Statutory Auditors has therefore prepared this recommendation (hereinafter the “**Recommendation**”) for submission to the Shareholders’ Meeting in accordance with the purposes described by current legislation. The proposal provides for two possible alternatives for the appointment and states the duly justified preference for one of the two, resulting from the final assessment given at the end of the selection procedure.

The Company has identified the independent audit firms to which the requests for bids are addressed according to transparent and non-discriminatory criteria, as required by the relevant legislation, opening participation to bidders with adequate expertise and experience and an infrastructure suitable for auditing Geox S.p.A. (hereinafter also the “**Company**” or “**Geox**”) and the Geox Group (hereinafter also the “**Group**”).

2. Regulatory framework

The EU legislation on statutory audit has been recently amended by two separate acts:

- Directive 2006/43/EC as amended by Directive 2014/56/EU (hereinafter the “**Directive**”) on statutory audits of annual accounts and consolidated accounts, transposed by Italian Legislative Decree no. 39 of 27 January 2010 as last amended by Italian Legislative Decree no. 135 of 17 July 2016;
- Regulation (EU) no. 537/2014, on specific requirements regarding statutory audit of public-interest entities, in force since 17 June 2016 (hereinafter the “**Regulation**”).

The purpose of the new legislation is to further harmonise the rules originally introduced by Directive 2006/43/EC at European Union level to enhance the independence, objectivity, transparency and reliability of auditors as well as the quality of audit work, also in order to increase the confidence of the public in the annual and consolidated financial statements of public-interest entities and therefore to contribute to the orderly functioning of markets.

In particular, the Regulation has strengthened the role of the Internal Control and Audit Committee in the selection of the new independent audit firm, giving it the task of submitting a reasoned “Recommendation” in order to allow the Shareholders’ Meeting to make a properly considered decision.

3. The selection procedure

Introduction

The Board of Statutory Auditors has agreed with the process of selection of independent audit firms implemented by the Company.

3.2 The independent audit firms

The independent audit firms to which requests for bids were sent were identified by taking into account the following aspects:

- Expertise, based on listed companies audited in Italy;
- Knowledge of the Group, based on assignments carried out in recent years for Group companies;
- International presence of the independent audit firm’s network, with particular reference to the countries where the Group is present;
- Turnover for audit services carried out in Italy.

At the end of the preliminary phase, four independent audit firms were selected: KPMG S.p.A. KPMG S.p.A. (hereinafter also “**KPMG**”), Ernst Young S.p.A. (hereinafter also “**EY**”), PricewaterhouseCoopers S.p.A. (hereinafter also “**PwC**”) and BDO Italia S.p.A. (hereinafter also “**BDO**”), (hereinafter jointly referred to as the “**Bidding Firms**”).

The Company then invited the Bidding Firms to submit a bid for statutory audit of the Group.

The invitation to submit a bid therefore also covered the audit assignments of the Company’s subsidiaries, with a view to optimising the auditor’s intervention throughout the Group.

In the request for bid for appointment of the independent audit firm and in the subsequent integrations, the following were indicated:

- The audit services requested by both Geox and its subsidiary companies for the period 2022-2030;
- The methods and timing of the selection procedure;
- The additional information concerning the Group companies;
- Information regarding the assignment carried out by the current independent audit firm.

It should be noted that firms which received less the 15% of the total audit fees from public-interest entities in Italy in the previous calendar year were in no way precluded from

participation in the selection procedure, in accordance with the provisions of art. 16, paragraph 3, letter a) of Regulation (EU) no. 537/2014.

3.3 Assessment criteria

The assessment took into account both qualitative aspects (knowledge of Geox and the Group, assessment of the Company and its network, assessment of the audit team, assessment of the methodological approach, expected number of hours, use of IT systems) and quantitative aspects (fees requested).

For the purpose of the assessment, the following aspects were evaluated:

- Knowledge of the Group
- Methodological approach proposed for carrying out the audit;
- Audit team;
- Expected total number of hours for the audit of Geox and the subsidiary companies;
- Professional mix;
- Total fee.

3.4 Bid selection process

Following the invitation to submit the bid, accepted by all four firms invited, detailed meetings were held by the Company with the individual Bidding Firms.

By the date of 2 October 2020, as requested, bids were received from KPMG, EY, PwC and BDO, supplemented by the required accompanying information and documentation.

On the basis of the documentation received by that date and bearing in mind the criteria set out above, the bids were assessed in detail by analysing the individual distinctive and qualifying aspects of the Bidding Firms.

3.5 Assessment

As stated and consequently also reported in the request for bid, both qualitative and quantitative/economic aspects were assessed for the purposes of this Recommendation.

Regarding the process for assessing the qualitative and quantitative aspects explained above, the Board's observations are as follows:

Qualitative aspects:

- Knowledge of the Geox Group: attention was given to the knowledge of the Group acquired by the Bidding Firms;
- Proposed methodological approach for the audit: aspects such as the audit strategy, the process of interaction with the corporate functions and the control functions, and the level of detail of communication with the Board of Statutory Auditors were positively assessed;
- Assessment of the audit team: in this area, account was taken of the composition of the audit team and the team dedicated to specialised areas;
- Assessment of the expected total number of hours: the following were taken into account.
 - Expected total number of hours for the audit of Geox and the subsidiary companies;

- Professional mix

The assessments took account of the expected number of hours for the various activities.

Quantitative aspects:

▪ Taking the cost incurred in the 2019 financial year for the outgoing independent audit firm as a benchmark, the amount requested for Geox and the subsidiary companies was taken into account.

4. Results of the selection procedure

All the bids received were extremely valid from the point of view of the quality of the proposals, and the meetings held highlighted the high professionalism of the audit teams presented. However, the results of the analysis led to the following ranking:

1. KPMG S.p.A.;
2. Ernst & Young S.p.A.;
3. BDO Italia S.p.A.;
4. PwC S.p.A.

In particular, KPMG S.p.A. was given preference by the Board of Statutory Auditors for the following reasons, which constitute the rationale of this Recommendation:

- Assessment of the qualitative and quantitative composition of the team;
- Number of hours dedicated by partners and managers to the audit of the areas of greatest strategic importance;
- Appreciation for the proposed audit strategy;
- Lower total fees for the Group.

5. Recommendation of the Board of Statutory Auditors

The Board of Statutory Auditors:

WHEREAS

- the results of the procedure carried out, which derive from a comparative and complex analysis of the proposals received at group level, have been considered and endorsed, with particular attention to the requirement of independence, as well as to the technical and economic aspects;
- it has been taken into account that art. 16, paragraph 2 of the Regulation provides that the recommendation of the Board of Statutory Auditors shall be justified and contain at least two choices for the audit engagement, and
- it has been considered that the aforementioned art. 16, paragraph 2 of the Regulation requires the Board of Statutory Auditors to express a duly justified preference

HAVING VERIFIED THAT

- the audit procedures illustrated in the bids, also considering the hours and professional resources required for this purpose, and the fee requested, are appropriate to the extent and complexity of the assignment;

- there is no evidence that the Bidding Firms have been entrusted with assignments other than statutory audit and financial statement audit services, which by nature and/or extent may compromise independence;

RECOMMENDS

that the Board of Directors propose to the Shareholders' Meeting to:
appoint KPMG S.p.A. or, alternatively, Ernst & Young S.p.A. as the independent audit firm for the financial years 2022-2030, pursuant to art. 13, paragraph 1 and art. 17, paragraph 1 of Italian Legislative Decree no. 39 of 27 January 2010, as amended, respectively, by art. 16 and art. 18 of Italian Legislative Decree no. 135 of 17 July 2016 and art. 16 of Regulation (EU) no. 537/2014 of the European Parliament and of the Council of 16 April 2014.

The economic terms financial situations of the aforementioned independent audit firms are indicated in Annex 1 (economic terms) of this Recommendation.
Lastly, the Board of Statutory Auditors

EXPRESSES ITS PREFERENCE

for KPMG S.p.A. out of the two firms, because following the procedure for assessing the offers made, it was the company with the highest ranking and therefore considered the most suitable to perform the assignment, also in view of the audit approach proposed and the professional mix offered.

This preference is nevertheless subject to the resolution of the Geox S.p.A. Shareholders' Meeting regarding the assignment of statutory audit for the 2022-2030 financial years.

6. Statements

The Board of Statutory Auditors, in accordance with art. 16, paragraph 2 of Regulation (EU) no. 537/2014, states that this Recommendation is free from influence by third parties and that no clause of the kind referred to in paragraph 6 of the aforementioned art. 16 of the Regulation has been imposed upon it.

Biadene di Montebelluna, 12 March 2021

On behalf of the BOARD OF STATUTORY AUDITORS

The Chairman

Sonia Ferrero

	EY		KPMG	
	2022		2022	
	Hours	Fees	Hours	Fees
Geox SpA	2.315	136.000	2.315	149.000
Geox Retail Srl	216	13.400	250	14.000
Xlog Srl	108	6.400	115	7.000
SUBTOTAL ITALY	2.639	155.800	2.680	170.000
Geox Deutschland (Germania)	300	30.000	150	18.000
Geox France (Francia)	222	24.000	125	15.000
Geox Suisse (Svizzera)	198	21.000	95	16.000
Geox UK (UK)	340	32.500	260	25.000
Geox Respira (Spagna)	245	17.000	185	14.000
T.D. Beograd (Serbia)	450	21.000	325	14.000
Geox Asia Pacific (Honk Kong)	340	26.050	270	26.000
Geox Canada Inc (Canada) (*)				
S&A Distribution (USA) (*)				
Geox Holland (Olanda)	335	33.500	340	35.800
Geox Hungary (Ungheria)	250	11.000	90	10.200
Geox Rus (Russia)	800	29.500	400	13.000
Geox Trading Shanghai (Cina)	425	22.750	344	26.500
Geox Macao (Macao)	300	19.000	225	14.700
Technic Development Vietnam Ltd	325	6.750	120	5.000
SUBTOTAL FOREIGN COMPANIES	4.530	294.050	2.929	233.200
TOTALE	7.169	449.850	5.609	403.200

(*) activity included within Geox S.p.A. fees