

To the Assembly of Members, to the Board of Directors of the FONDAZIONE REGGIO CHILDREN – CENTRO LORIS MALAGUZZI

Preamble

The undersigned, Gualtiero Dr. Bertella, sole Statutory Auditor, has carried out both the functions provided for by Art. 2403 and following of the Italian Civil Code and those provided for by the Art. 2409-bis of the Italian Civil Code, in the year ended on 31 December 2021.

This comprehensive report contains in section A) the ‘*Report of the independent auditor in accordance with Art. 14 of the Legislative Decree no. 39/2010*’ and section B) the ‘*Report under Art. 2429, par. 2, of the Italian Civil Code*’.

A) Report of the independent auditor in accordance with Art. 14 of the Legislative Decree no. 39/2010 **Report on the audit of the financial statements**

Opinion

I carried out the statutory audit of the attached financial statements of FONDAZIONE REGGIO CHILDREN, consisting of the balance sheet as of 31 December 2021, of the income statement for the financial year ended on that date and of the explanatory notes.

In my opinion, the financial statements provide a true and fair view of the financial position and cash flows of the Foundation as of 31 December 2021 and of the net profit and cash flows for the financial year ended on that date, in compliance with the Italian regulations governing the drawing-up criteria. ***Elements underlying the opinion***

I carried out the audit in accordance with the ISA Italia international standards on auditing. My responsibility under these principles is further described in the section Responsibility of the auditor for auditing the financial statements of this report. I am independent from Fondazione in compliance with the rules and principles on ethics and independence applicable in the Italian legal system for auditing the financial statements.

I believe I have acquired sufficient and appropriate evidence on which to base my opinion.

Responsibility of the Board Members for the financial statements

The directors are responsible for the drawing up of the financial statements, which provide a true and fair view in compliance with the Italian rules governing the drawing-up criteria and, within the terms provided for by the law, for that part of the internal control they deem necessary to allow the drawing up of a financial statement, which does not contain significant errors due to fraud or unintentional behaviour or events.

The directors are responsible for assessing the Foundation's ability to continue as a going concern and, in the drawing up of the financial statements, for the appropriateness of the use of the going concern assumption, as well as for providing adequate information on the subject. The directors used the going concern assumption in drawing up the financial statements.

Auditor's responsibility for auditing the financial statements.

My objective is the acquisition of reasonable assurance that the financial statements as a whole do not contain significant errors, due to fraud or unintentional behaviour or events, and the issue of an audit report that includes our opinion. Reasonable assurance means a high level of security which, however, does not provide the guarantee that an audit carried out in accordance with ISA Italia international auditing standards will always identify a significant error, if any. Errors can result from fraud or unintentional behaviour or events and are considered significant if it can reasonably be expected that they, individually or as a whole, can influence the economic decisions made by the users on the basis of the financial statements.

Furthermore:

- I have identified and evaluated the risks of significant errors in the financial statement, due to fraud or unintentional behaviour or events; I have defined and carried out audit procedures in response to these risks; I have acquired sufficient and appropriate audit evidence to base our opinion on. The risk of not identifying a significant error due to fraud is higher than the risk of not identifying a significant error resulting from unintentional behaviour or events, since fraud can imply the existence of collusion, falsification, intentional omission, misleading representation or pressure on internal control;

- I gained an understanding of the internal control relevant for auditing purposes in order to define audit procedures suitable to the circumstances and not to express an opinion on the effectiveness of the internal control of the Foundation;
- I assessed the appropriateness of the accounting principles applied and the reasonableness of accounting estimates made by the directors, including the related information;
- I came to a conclusion on the applicability of the use by the directors of the assumption of business continuity and, based on the audit evidence, on the existence of significant uncertainty regarding events or circumstances which may give rise to significant doubts on the Foundation's ability to continue operating as a functioning entity. Under significant uncertainty, I am obliged to call attention to the audit report on the related information on the financial statement, or, if this report is inadequate, to reflect this fact in the formulation of my opinion. My conclusions are based on the audit evidence obtained up to the date of this report. However, subsequent events or circumstances may result in the Foundation ceasing to operate as a going concern;
- I assessed the presentation, the structure and the content of the financial statements as a whole, including the report, and whether the financial statements represent the underlying transactions and events in order to provide a correct overview;
- I communicated to the people in charge of the governance, identified at an appropriate level as required by the ISA Italia standards, among other aspects, the scope and timing planned for the audit and the significant results emerged, including any significant deficiencies in the internal control detected during the audit.

Report on other legal and regulatory provisions

The directors of the Foundation are responsible for the drawing up of the management report, including its consistency with the related financial statements and its compliance with the law.

I carried out the procedures indicated in the audit principle ISA Italia no. 720B in order to express an opinion on the consistency of the management report with the financial statements as of 31/12/2021 and on the compliance with the law, as well as to issue a statement on any significant errors.

In my opinion, the management report is consistent with the financial statements of the FONDAZIONE REGGIO CHILDREN as of 31/12/2021 and has been drawn up in compliance with the law.

I have nothing to report referring to the statement pursuant Art. 14, par. 2, lit. e) of the Legislative Decree 39/2010, issued on the basis of the knowledge and understanding of the Foundation and the related context acquired during the audit.

B) Report on supervisory activities pursuant to Art. 2429, par. 2, of the Italian Civil Code

During the year ended on December 31, 2021 our activity has been inspired by the law provisions and the Rules of Conduct of the Board of Statutory Auditors issued by the National Board of Chartered Accountants and Accounting Experts, in compliance with which I carried out a self-assessment, with a positive outcome.

B1) Supervisory activities pursuant to Art. 2403 and following, of the Italian Civil Code

I have supervised the compliance with the law and the By-Laws, and the respect for the principles of a fair administration.

I attended all the assemblies of the members and the meetings of the Board of Directors, in relation to which, on the basis of the available information, there is no evidence of laws or by-laws having been violated, no transactions deemed patently imprudent, reckless, or that imply a potential conflict of interest or such as to compromise the integrity of the Foundation's assets.

During the meetings held, I have obtained from the President information on the general performance of operations and its foreseeable development, as well as on the most significant transactions, due to their size or characteristics, carried out by the Foundation and its associated subsidiaries and, based on the information collected, I have no special observations to report.

I have acquired knowledge and supervised, to the extent of my competence, the adequacy and functioning of the organisational structure of the Foundation, also by collecting information from departmental managers, and in this regard I have no particular observations to report.

I have acquired knowledge and supervised, to the extent of my competence, the adequacy and functioning of the administrative-accounting system, as well as the reliability of the latter to correctly represent the operating events, by obtaining information from department managers and examining business documents, and in this regard I have no particular observations to report.

There were no complaints from members *ex art.* 2408 of the Italian Civil Code.

During the year, the undersigned has not released opinions required by law.

In the course of my supervision, as described above, no significant elements required to be mentioned in this report.

B2) Observations on the financial statements

To the best of my knowledge, the directors, in preparing the financial statements, have not waived from the law pursuant to art. 2423, paragraph 4, of the Italian Civil Code.

Pursuant to Art. 2426, no. 6, of the Italian Civil Code the undersigned has noted that there is no goodwill value listed in the item B-I-5) balance sheet assets;

In the explanatory notes to the financial statements, information was provided pursuant to Law 124/2017 on the presence of ‘subsidisations, allocations, paid positions and any economic benefits’ received from public administrations and/or companies directly or indirectly controlled by the latter during 2021.

The results of the statutory audit of the financial statements carried out by me are contained in section A) of this report.

B3) Comments and proposals regarding the approval of the financial statements

Considering the results of the activity carried out by me, the undersigned proposes that this Board of Directors approves the financial statements as of 31 December 2021, as drawn up by the Directors.

The Statutory Auditor agrees with the proposal for the allocation of the profits of the financial year made by the directors in an explanatory note.

Reggio Emilia, 18 May 2022

The sole Statutory Auditor

Gualtiero Dr. Bertella

