

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

## **Preamble**

The Board of Statutory Auditors, in the year ended on 31 December 2020, 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.

This comprehensive report contains in section A) the “*Report of the independent auditor* in accordance with Art. 14 of the Legislative Decree no. 39 of 27 January 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***

The board carried out the statutory audit of the attached financial statements of FONDAZIONE REGGIO CHILDREN, consisting of the balance sheet as of 31 December 2020, of the income statement for the financial year ended on that date and of the explanatory notes.

In our opinion, the financial statements provide a true and fair view of the financial position and cash flows of the Foundation as of 31 December 2020 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***

The audit was carried out in accordance with the ISA Italia international standards on auditing. Our responsibilities under these principles are further described in the section Responsibility of the auditor for auditing the financial statements of this report.

We are independent from the Foundation in compliance with the rules and principles on ethics and independence applicable in the Italian legal system for auditing the financial statements.

We believe we have acquired sufficient and appropriate evidence on which to base our 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.

The board of statutory auditors is responsible for supervising, within the terms established by the law, the process of drawing up the Foundation's financial information.

#### ***Auditor's responsibility for auditing the financial statements.***

Our objectives are 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.

As part of the audit carried out in accordance with ISA Italia international auditing standards, we have exercised professional judgement and maintained professional scepticism throughout the audit. Furthermore:

- we have identified and evaluated the risks of significant errors in the financial statement, due to fraud or unintentional behaviour or events; we have defined and carried out audit procedures in response to these risks; we 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;
- we have 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;
- we assessed the appropriateness of the accounting principles applied and the reasonableness of accounting estimates made by the directors, including the related information;
- we have come to a conclusion on the applicability of the use by the directors of the going concern assumption 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 as a going concern. Under significant uncertainty, we are 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 our opinion. Our 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;
- we have 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;
- we have 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.

We have carried out the procedures indicated in the audit principle SA Italia no. 720B in order to express an opinion on the consistency of the management report with the financial statements as of 31/12/2020 and on the compliance with the law, as well as to issue a statement on any significant errors.

In our opinion, the management report is consistent with the financial statements of the FONDAZIONE REGGIO CHILDREN as of 31/12/2020 and has been drawn up in compliance with the law.

We 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, 2020 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 we carried out a self-assessment, with a positive outcome, for each member of the Board of Statutory Auditors.

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

The Board has supervised the compliance with the law and the By-Laws, and the respect for the principles of a fair administration.

We 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, we 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, we have no special observations to report.

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

We have acquired knowledge and supervised, to the extent of our 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 we have no particular observations to report.

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

During the year, the Board of Auditors has not released opinions required by law.

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

### ***B2) Observations on the financial statements***

To the best of our knowledge, the directors, in drawing up the financial statements, have not derogated 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 Board of Statutory Auditors 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 2020.

In the explanatory notes to the financial statements mention was made of the epidemiological emergency by COVID-19 and the actions taken by the Italian Government to combat its spread.

The results of the statutory audit of the financial statements carried out by us 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 us, the Board of Statutory Auditors proposes that this Board of Directors approves the financial statements as of 31 December 2020, as drawn up by the Directors.

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

Reggio Emilia, 28 June 2021

Board of Auditors

Bertella Gualtiero (President) Zucca Mirco (Statutory Auditor) Guidetti Vittorio (Statutory Auditor)