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# Tod's S.p.A.

## **CORPORATE GOVERNANCE AND** **OWNERSHIP STRUCTURE REPORT**

pursuant to Article 123-*bis* of the Consolidated Law on Finance

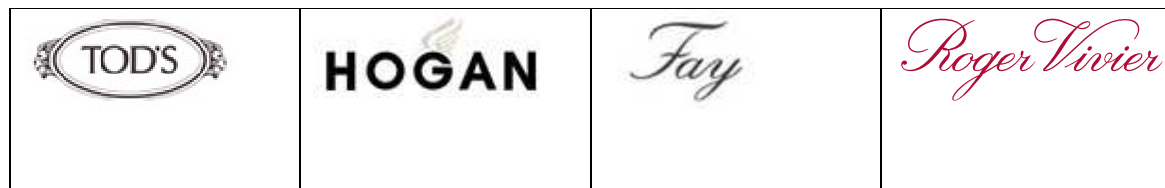
Tod's S.p.A.  
Internet web site [www.todsgroup.com](http://www.todsgroup.com)  
financial year January 1<sup>st</sup> – December 31<sup>st</sup> 2015  
Approved by the Board of Directors of March 14<sup>th</sup>, 2016

TOD'S S.p.A. – Share Capital Euro 66,187,078 entirely paid – Registered office in Sant'Elpidio a Mare (FM), via Filippo Della Valle no. 1 – Fiscal Code and Registration Number with the Company Register of Fermo 01113570442

Shareholders,

In accordance with applicable statutory and regulatory provisions, the Borsa Italiana Regulation instructions and the fifth edition of the “Format for the corporate governance and ownership structure report” disseminated by the Market Operating Company in January 2013, the Tod’s S.p.A. Board of Directors publishes the following complete report on its corporate governance system. Reference is made here to the principles contained in the Corporate Governance Code of Listed Companies in the edition approved by the Corporate Governance Committee of Borsa Italiana in July 2015 (also referred to hereinafter as the “Code”).

This report, approved on March 14<sup>th</sup>, 2016, also contains information on the ownership structure pursuant to Article 123-bis, of Legislative Decree no. 58/98 and it is available to the public, in compliance with regulatory provisions, at the Company’s registered office, through the authorised storage device 1info at the address [www.1info.it](http://www.1info.it), as well as in the “Corporate Governance” section of the Company’s web site [www.todsgroup.com](http://www.todsgroup.com), pursuant to applicable laws and regulations.



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**Corporate Governance Code** (the “Code”): The Corporate Governance Code for Listed Companies, approved in July 2014 by the Corporate Governance Committee in December 2011 and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria. It should be noted that in July 2015 some amendments to the Code were approved, which *“the issuers are invited to apply ... by the end of the financial year that will commence in 2016, informing the market in the corporate governance report to be published during the subsequent financial year.”*

**Cod. civ./c.c.:** the Italian Civil Code.

**Board/Board of Directors:** the Board of Directors of Tod’s S.p.A.

**Issuer/Company:** Tod’s S.p.A.

**Financial year:** the financial year running from January 1<sup>st</sup> to December 31<sup>st</sup>, 2015, to which this Report pertains.

**Issuer Regulation:** the Regulation issued by Consob with resolution no. 11971 of May 14<sup>th</sup>, 1999 (as amended) concerning shares issuers.

**Market Regulation:** the Regulation issued by Consob with resolution no. 16191 of October 29<sup>th</sup>, 2007 (as amended) concerning financial markets.

**Related Parties Regulation:** the Regulation issued by Consob with resolution no. 17221 of March 12<sup>th</sup>, 2010 (as amended) concerning transactions with related parties.

**Report:** this Corporate Governance and Ownership Structure Report drafted by Tod’s S.p.A. pursuant to Art. 123-*bis* TUF.

**TUF:** Legislative Decree 58 of February 24, 1998 (Consolidated Law on Finance).

## 1. PROFILE OF ISSUER

### 1.1 Overview of the Company's corporate governance system.

Tod's S.p.A.'s corporate governance system is based on the conventional (so-called "Latin") model. Accordingly, the Company's corporate bodies include the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Board of Directors is, in turn, made up of Board Committees: the Executive Committee, the Control and Risk Committee, the Compensation Committee and the Independent Directors Committee.

**A) The Shareholders' Meeting:** the powers, role and functioning of the Shareholders' Meeting are established under the law and the Company's Articles of Association, to which full reference is made in this Report, together with the Regulation of the Shareholders' Meeting.

**B) The Board of Directors:** the Board of Directors is made up of a number of members comprised between three and fifteen, as determined from time to time by the Shareholders' Meeting.

Regardless, the composition of the Board of Directors must guarantee gender balance, in compliance with applicable statutory and regulatory provisions.

The Board elects from amongst its members, a Chairman and, if necessary, a Vice Chairman.

Pursuant to the Articles of Association, legal representation of the Company vests in the Chairman or any other person delegated to discharge the Chair's functions, under his or her own sole signature. Legal representation also vests separately in the Vice Chairman, if appointed, as well as, in all appointed managing directors and general managers, to the extent of their delegated powers.

As explained in greater detail below, the Board of Directors is invested with the broadest powers for ordinary and extraordinary company management (to the sole exception of those powers expressly reserved under law to the competence of the Shareholders' Meeting), including the power to approve mergers in the cases contemplated in Articles 2505 and 2505-bis of the Italian Civil Code, the setting up and closure of secondary offices, reductions in share capital in the case of withdrawal by Shareholders, as well as amendments to the Articles of Association with a view to bringing the same in line with applicable regulations and transfers of the Company's registered offices within Italy,

Pursuant to Article 25 of the Articles of Association, the Board of Directors enjoys the exclusive prerogative, in addition to the duties that cannot be delegated pursuant to law, of (i) defining the general policy for management and organizational development, (ii) defining the rules for drafting and amendment of internal regulations, and (iii) appointing and dismissing general managers. Moreover, pursuant to Article 5 of "*Procedure on Related Parties Transactions of Tod's S.p.A.*" (hereinafter also referred to as the "*Procedure on Related Parties Transactions*") and in accordance with Article 25 of the Articles of Association as well as Article 8 of the Related Parties Regulation, the Board of Directors is invested with exclusive discretionary powers to authorize highly significant related-party transactions, on the basis of a favourable advisory opinion rendered in such regard by the Independent Directors Committee (or, otherwise, to seek shareholder approval of such transactions, in the event where such approval is required pursuant to application rules and regulations).

**C) Committees:** the Board of Directors includes an Executive Committee, which provides the Company with an agile decision-making process.

The Executive Committee is invested with all the powers not expressly reserved to the competence of the Board of Directors under the law, the Articles of Association, or the corporate governance Principles adopted by the Company, as set forth in greater detail below.

Pursuant to self-regulatory provisions, the Board must also appoint a Control and Risk Committee and a Compensation Committee, invested with advisory and recommendatory roles, taking due account, inter alia, of the Company's ownership structure. On the other hand, no need has been detected to set up an Appointment Committee.

In compliance with the Related Parties Regulation, the Independent Directors Committee has been established with the functions and responsibilities required for the approval of significant related parties transactions, which the Related Parties Regulation recommends to be vested in a committee solely composed of non-executive and independent directors; the functions and responsibilities which the Related Parties Regulation requires for the approval of related parties transaction of minor significance and which it recommends to be vested in a committee composed by non-executive directors and for the majority independent have been vested in the Control and Risk Committee.

**D) The Board of Statutory Auditors:** is made up of three standing auditors and two alternate auditors and is the Company's management control body. Regardless, the composition of the Board of Statutory Auditors must guarantee gender balance, in compliance with applicable statutory and regulatory provisions. The Board of Statutory Auditors is responsible for supervising that, during its operations, the Company complies with the law and Articles of Association and the principles of correct administration and it imparts adequate instructions to its internal bodies and subsidiaries.

The Board of Statutory Auditors is also required to monitor the adequacy of the Company's organizational structure concerning aspects of responsibility of the Internal Control and Risk Management System and of the administrative-accounting system, as well as the reliability of the latter to represent correctly the management-related issues, by carrying out the necessary checks for this purpose.

In compliance with Legislative Decree 39 of January 27<sup>th</sup>, 2010, the Board of Statutory Auditors focuses on monitoring public disclosures of any financial information, the efficiency of internal control systems, internal audit systems, if applicable, and risk management systems, auditing the annual financial statements and consolidated financial statements, and the independence of the independent auditor or auditing company, and particularly the non-auditing services provided to the Issuer.

The Board of Statutory Auditors is also required to oversee the procedures adopted to effectively implement the corporate governance rules envisaged in the codes of conduct drawn up by the regulated markets management companies or by the Trade Associations with which the Company declares to comply by means of public disclosures, as well as to monitor the adequacy of the provisions imparted by the Company to its subsidiaries so that the latter provide the Company with all the information required to comply with the notification obligations envisaged by law.

**E) The Issuer and social responsibility:** all the activities of the Tod's Group are characterised by passion, creativity and craftsmanship, which are values that belong to the company's philosophy and DNA. The very high quality of the products, the appreciation of craftsmanship and of Made in Italy in addition to observance of tradition are a priority for the Group and contribute to the creation of value not only for Tod's, itself but for its numerous stakeholders.

The projects and initiatives that the Company has carried out over the years demonstrate its commitment and attention to the various aspects of what is generally referred to as the issue of "social sustainability."

## **2. INFORMATION ON SHAREHOLDERS' OWNERSHIP (pursuant to Art. 123 bis, paragraph 1, Consolidated Law on Finance)**

The following sections provide more detailed information on the ownership structure at the date of March 14<sup>th</sup>, 2016 on which this Report was approved, pursuant to the applicable provisions of Article 123-bis TUF.

**a) Structure of share capital (pursuant to Art. 123-bis, paragraph 1, letter a), TUF).**

The entire share capital of Tod's S.p.A. is comprised by ordinary voting shares, which are listed on the Italian Electronic Stock Exchange managed by Borsa Italiana S.p.A.

The current Share Capital, fully subscribed and paid-up, amounts to Euro 66,187,078.00, (sixty six million one hundred eighty-seven thousand and seventy-eight) divided into 33,093,539 (thirty-three million ninety-three thousand five hundred thirty-nine) ordinary shares.

By a resolution dated 13 January 2016, the extraordinary shareholders' meeting resolved a capital increase against payment, on a conditional basis and excluding the option right, of a total amount of Euro 207,500,047.14, through the issue of 2,484,138 ordinary shares to be paid up in cash, reserved for Gousson - Consultadoria e Marketing S.r.l. The new shares arising from the capital increase, having the same characteristics as the outstanding Tod's ordinary shares and regular entitlement, were admitted to listing on 27 January 2016.

There are no share-based incentive plans in place which involve share capital increases, even on a no charge basis, at the approval date of this Report. It should be noted that the next Shareholders' Meeting will also be called upon to pass a resolution on the approval of a plan based on financial instruments pursuant to Article 114-bis TUF, and specifically of a "Phantom Stock Option" plan reserved for the Chief Executive Officer, Stefano Sincini. The plan's guidelines were defined by the governing body – on the proposal of the Compensation Committee - on 29 February 2016, in accordance with the current "Remuneration Policies and Procedures of the Tod's S.p.A. Group", as well as with the best practice followed at domestic and also international level and in compliance with the principles laid down in Article 6 of the Corporate Governance Code. According to the Plan, 33,000 phantom stock options, i.e. virtual and personal options, non-transferable between living persons, are awarded to the beneficiary, free of charge and on a personal basis. They grant the beneficiary, on the terms and conditions laid down in the Information Document, the right to be paid an amount of money which corresponds to the rise in the value of Tod's shares recorded in the Electronic Stock Market (*Mercato Telematico Azionario*) organised and operated by Borsa Italiana. For more information as to the Phantom Stock Option Plan, reference should be made to the Directors' Report pursuant to Article 125-ter TUF and to the information document prepared, pursuant to Article 84-bis of the Issuers' Regulation, which are available on the Company's website and through the authorised storage system 1Info.

Please note that the Company has not issued any financial instrument granting the option to subscribe new shares.

Please refer to Table no. 1 attached as an appendix to the Report.

**b) Restrictions to shares transfer (pursuant to Art. 123-bis, paragraph 1, letter b), TUF).**

The Articles of Association of Tod's S.p.A. do not envisage restrictions on the transfer of shares, limits on stock ownership, or the approval of corporate bodies or Shareholders for the admission of new Shareholders.

**c) Major shareholders (pursuant to Art. 123-bis, paragraph 1, letter c), TUF).**

According to the information provided in the register of Shareholders and the updates available at the approval date of this Report, including the notices received by the Company pursuant to Article 120 of the TUF, as well as all other information available to it, the parties which are direct or indirect owners of more than 2% of the subscribed and paid-in share capital are listed in Table no. 1 attached as an appendix to the Report.

**d) Instruments allowing holders special rights (pursuant to Art. 123-bis, paragraph 1, letter d), TUF).**

The Company has not issued shares that grant special rights of control, and the Articles of Association do not envisage special powers for certain Shareholders or owners of particular classes of stock.

The Company's Articles of Association do not provide for the issue of loyalty or multiple-voting shares.

**e) Employees stock ownership: how to exercise voting rights (pursuant to Art. 123-bis, paragraph 1, letter e), TUF).**

The Articles of Association of Tod's S.p.A. do not include special provisions regarding the exercise of voting rights by employees who own Company stock.

**f) Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1, letter f), TUF).**

The Articles of Association of Tod's S.p.A. include neither special provisions imposing restrictions or limits on voting rights, nor the separation of the financial rights connected with shares from their ownership.

**g) Shareholders' agreements (pursuant to Art. 123-bis, paragraph 1, letter g), TUF).**

The Company was unaware of any shareholders agreements pursuant to Article 122 TUF at the approval date of this Report.

**h) Change of control clauses (pursuant to Art. 123-bis, paragraph 1, letter h), TUF) and bylaws on takeover bids (pursuant to Article 104, paragraph 1-ter and 104-bis, paragraph 1).**

There are no significant agreements in place to which the Issuer or other group Company is a party which become effective, are amended or terminate if a change of control occurs involving the Company, except for a loan agreement entered into in July 2014 amounting to Euro 400 million, which provides for the early repayment of the entire disbursed amount (in addition to additional charges) within 10 business days of the occurrence of a change of control involving the Issuer, and two bonds issued by the subsidiary Holpaf B.V. whose negative covenants include transfer of Company shares to third parties.

In respect of takeover bids, it is hereby specified that the Issuer's Articles of Association (i) provide for no departure from the "passivity" rule entrenched in Article 104, paragraphs 1 and 1-bis of the TUF, and (ii) do not require the application of the neutralization rules set forth in Article 104-bis, paragraphs 2 and 3, of the TUF.

**i) Proxies for Share Capital increase and authorization to purchase treasury shares (pursuant to Art. 123-bis, paragraph 1, letter m), TUF).**

The Board has not been empowered by the Meeting to increase the Share Capital, in accordance with Article 2443 of the Italian Civil Code.

The Articles of Association envisage that the Company can issue bearer or registered participating financial instruments in compliance with the provisions of law but, currently does not establish the relevant issuance procedures and conditions, or the other characteristics required by law.

In accordance with Article 2357 and following articles of the Italian Civil Code, the Ordinary Meeting held on April 22<sup>nd</sup>, 2015 authorized the Board of Directors to purchase treasury shares until one tenth of the Share Capital is reached, over a period of 18 months commencing from the date the resolution was passed; the authorization also includes the power to assign the treasury shares which may be purchased, not subject to time limits, even before completing the purchases.



The purchases, in accordance with Article 132 of the Consolidated Law on Finance (TUF) and Article 144-bis of the Issuer Regulation may be made (i) through a public purchase or swap offer, (ii) on the market, in compliance with the operating procedures established by Borsa Italiana, subject to regulation, (iii) by buying and selling derivative instruments traded on regulated markets which envisage the physical delivery of the underlying shares, in compliance with the regulatory provisions time by time applicable, or (iv) by way of allotment to the Shareholders, in proportion to the shares they hold, of a put option to be exercised within 18 months starting from the date of the related resolution; (v) in the other ways allowed by applicable laws and regulations. Regardless, parity treatment among the Shareholders must be ensured and compliance with every applicable regulation, including the applicable EU standards.

The purchase price of each treasury share, including the accessory purchase charges, shall correspond to a minimum of no less than 15% and to a maximum of no more than 15% of the mean official trading prices recorded on the Italian Electronic Stock Exchange over the three sessions preceding the purchase; whereas, the selling price to third parties must correspond to no less than 95% of the mean official prices recorded on the Italian Electronic Stock Exchange over the three days preceding the sale (this price limit may be departed from in cases of swaps or assignments of treasury shares in the framework of executing industrial and/or commercial projects and/or other projects of interest to the Issuer and in the case of assignment and/or transfer of shares or stock options for the execution of stock option plans based on financial instruments).

Neither the Issuer nor its subsidiaries held Tod's S.p.A shares as at December 31<sup>st</sup>, 201-5, i.e. at the end of the financial year.

**I) Management and coordination activities (pursuant to Art. 2497 et seq. Italian Civil Code).**

Even though Tod's S.p.A. is subject to control by DI VI Finanziaria di Diego Della Valle & C. S.r.l. (in accordance with Article 93 of TUF) neither the latter Company nor any other party has imposed guidelines and/or interfered in the management operations of Tod's S.p.A. (or any of the companies controlled by Tod's S.p.A.): in fact, therefore, management of the Issuer and its subsidiaries is not managed and coordinated by third parties outside the Tod's S.p.A. Group.

Therefore, Tod's S.p.A. is not subject to management and coordination activities by the Parent Company DI VI Finanziaria di Diego Della Valle & C. S.r.l., nor by any other party, pursuant to Articles 2497 et seq. Italian Civil Code.

In accordance with the principles of corporate governance – and as illustrated in greater detail below – the transactions of a particular strategic, economic, equity and financial significance executed by the Tod's S.p.A. Group are subject to prior review and exclusive approval by the Board of Directors of Tod's S.p.A.; the Board of Directors – as verified lastly on 29<sup>th</sup> February 201-6 – comprises of no. 6 Directors that meet the (non-executive and) independence requirements, based on the principles established under Article 148 of the TUF and Article 3 of the Code of Corporate Governance.

It is deemed that the responsibility, the authority of the non-executive and independent Directors and their significant weight when making Board decisions represents an additional guarantee that all the decisions made by the Board of Directors are adopted in the exclusive interests of Tod's S.p.A. and are not subject to directives or interference by third parties reflecting interests which are outside the Group's interests.

It is hereby confirmed that all companies controlled by Tod's S.p.A. are subject to the Issuer's management and coordination.

\* \* \*

It is specified that:

- the information requested by Article 123-bis, paragraph 1, sub-section i) of the Consolidated Law on Finance (TUF) (“agreements between the Company and its Directors ... which envisage indemnities in the event of resignation or dismissal without just cause or if their employment relationship terminates following a public purchase offer”) are illustrated in the Report on Remuneration drawn up in accordance with Article 123-ter of the TUF.

- the information requested under Article 123-bis, paragraph 1, sub-section l) of the Consolidated Law on Finance (TUF) (“provisions applicable to the appointment and substitution of Directors ... as well as to the amendment of the Articles of Association, if different from the legislative and regulatory provisions applicable as a supplementary measure”) are illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1).

### **3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, letter a), TUF)**

As already outlined in the preceding annual Reports on the Corporate Governance and Ownership structure, the Board of Directors of Tod's S.p.A. adopted a series of resolutions, effective from the Meeting held on November 13<sup>th</sup>, 2006, designed to ensure the actual implementation of the principles established in the Code of Corporate Governance (accessible to the general public on the web site of the Corporate Governance Committee on page: <http://www.borsaitaliana.it/comitato-corporate-governance/codice/2014clean.pdf> in the version dated July 2014 and on page: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codi-ce2015.pdf> in the version of 2015), as illustrated in detail below, and then resulting in the resolutions concerned, lastly, also during the Financial year.

Before describing the Issuer's corporate governance structure, it must be pointed out that at its November 11<sup>th</sup>, 2015 meeting, the Board of Directors of the parent company Tod's S.p.A. identified the following companies as “strategic subsidiaries”: Tod's France Sas, Tod's Japan KK, Deva Inc., Tod's Hong Kong Ltd., Tod's (Shanghai) Trading Co. Ltd. and Tod's Korea Inc., which are respectively subject to their own national legislation. In the opinion of the Board of Directors, this circumstance does not have a material impact on the Issuer's governance structure.

### **4. BOARD OF DIRECTORS**

#### **4.1 Appointment and substitution of Directors (pursuant to Art. 123-bis, paragraph 1, letter l), TUF).**

In accordance with Article 147-ter of the Consolidated Law on Finance (TUF), the Articles of Association of Tod's S.p.A. (Article 17), envisage that the Board of Directors is to be elected according to the voting slate procedure, in compliance with applicable gender balance laws and regulations.

Shareholders owning a shareholding that is at least equal to the shareholding established by Consob, as required by law and by the regulations, and that corresponds to 1% of the Share Capital at the approval date of this Report are entitled to present the slates of nominees to allocate the Directors to be elected, as duly established by Art. 144-quater of the Issuer Regulation and by Consob Resolution no. 19499 of January 28<sup>th</sup>, 2016; ownership of the aforesaid minimum participating interest is established pursuant to law, taking due account of the shares registered in the name of the Shareholder in question, as at the date on which the slates are filed with the Company.

In accordance with Article 147-ter, paragraph 4 of the Consolidated Law on Finance (TUF), the Articles of Association of Tod's S.p.A. envisage that at least two nominees are required to meet the independence requirements established by law and are to be indicated at least in the second and seventh position on each slate.

The Articles of Association do not provide for independence requirements other than those established for the Statutory Auditors pursuant to Art. 148, par. 3 TUF, nor for honorability and/or professionalism requirements other than those established by law for the appointment of directors.

The slates of nominees presented by the Shareholders must be registered at the Registered Office – together with the relevant documentation issued by the authorized intermediaries, the nominees' curricula and the respective declarations and attestations required by the law and regulations in force and by the Articles of Association – within the deadline provided under Art. 147-ter, par. 1-bis, del TUF, i.e. at least twenty five (25) days before the date established for the Meeting in first call, which is due to resolve on the appointment of the members of the Board of Directors. The aforesaid documents issued by authorized intermediaries certifying ownership of the minimum shareholding required to submit slates, may be forwarded even after the slates have been filed, albeit within no more than twenty-one days prior to the scheduled date of the related Shareholders' Meeting.

For three consecutive terms beginning with the first time that the new Board of Directors is elected after August 12<sup>th</sup>, 2012, each slate containing three or more nominees must be composed in such a way as to guarantee that the gender balance of the Board of Directors satisfies the minimum quota required by applicable statutory and regulatory provisions.

The Board of Directors is elected on the basis of the following procedure:

- a) the Directors to be elected, except one, are taken from the slate that obtained the highest number of votes cast by the Shareholders, in the sequential order in which they are listed in the slate concerned;
- b) the remaining Director is taken from the slate that obtained the highest number of votes cast in the Meeting after the first slate, and is not associated in any way, not even indirectly, with the Shareholders who presented or voted for the slate that ranked first based on the number of votes.

If, upon conclusion of voting, the composition of the Board of Directors does not satisfy the gender balance enjoined by applicable laws and regulations, the nominee of the most highly represented gender who was the last to be elected in the sequential order of the slate that received the highest number of votes shall be replaced by the first candidate of the least represented gender who was not elected on the same slate, in the sequential order of that slate, without prejudice to satisfaction of the minimum number of legally qualified independent directors. The elected nominees shall be replaced according to the same procedure until the composition of the Board of Directors complies with applicable laws and regulations.

If this procedure does not guarantee the final result indicated hereinabove, the Shareholders' Meeting shall make the necessary changes by resolution with the statutory majority of votes.

With respect to the proportionate election of Directors, the Articles of Association do not provide for a minimum percentage of votes that the slates must have obtained in the Shareholders Meeting.

If only one slate of nominees is submitted or qualified for election, all the nominees on that list shall be elected to the Board of Directors in the sequential order in which they appear on that slate. If necessary, the procedure described in the preceding paragraph shall be applied.

If one or more director seats should be vacated during the year, they shall be filled pursuant to law, in compliance with the provisions governing the composition of the Board of Directors established by law and Article 17 of the Articles of Association.

Please note that Board of Directors' membership is not subject to any provision of law concerning the relevant labour sector other than those provided by the TUF.

Pursuant to Art. 123-bis, par. 1, letter I), TUF and with reference to amendments to the Articles of Association, every amendment shall be made in compliance with the applicable legislative and regulatory principles, subject to the condition that the Board of Directors is empowered with the

authority to resolve the matters envisaged under Article 2365, paragraph 2 of the Italian Civil Code, including adapting the Articles of Association to regulatory changes.

In compliance with criterion 5.C.2 of the Corporate Governance Code, please note that the Board of Directors, having considered the particular ownership structure as well as the experience, expertise and age of all the present executive directors involved in the management of the Company, at the date this Report is approved, found no need at present to adopt a specific plan for the substitution of executive Directors. It should be noted that, in case of early termination of a Director's mandate, the provisions of law pursuant to Art. 2386 of the Italian Civil Code should apply, again in compliance with the rules governing the composition of the Board of Directors imposed by law and Art. 17 of the Articles of Association.

#### **4.2 Membership (pursuant to Art. 123-bis, paragraph 2, letter d), TUF).**

The Board of Directors in office at the approval date of this Report was approved by the Shareholders' Meeting of April 22<sup>nd</sup>, 2015, which set the total number of directors' seats at 15 (fifteen). Following the resignation of a board member, Luca Cordero di Montezemolo, after the end of the Financial year, the Board of Directors is currently composed of 14 members.

The term of office of the present Board will expire on the date of the Shareholders' Meeting called to approve the Financial Statements for the financial year ending on December 31<sup>st</sup>, 2017 .

The relevant information concerning each Director is illustrated in Table no. 2 attached as an Appendix hereto. Be advised that all members of the current Board of Directors, on proposal of the majority Shareholder DI. VI. Finanziaria di Diego Della Valle & C. S.r.l., were selected from the sole slate presented by the same majority Shareholder with a resolution approved by the Shareholders' Meeting held on April 22<sup>nd</sup>, 2015 and with a percentage of favourable votes of 90.833% on the total share capital present and voting in the Meeting.

Please find below the personal information and professional qualifications of each director holding office, also in accordance with Article 144-*decies* of the Issuers Regulation:

1) Diego Della Valle, Chairman and Chief Executive Officer, was born in Sant'Elpidio a Mare (FM) on December 30<sup>th</sup>, 1953. Founder of Tod's S.p.A., he has developed it to the point of transforming it into the parent company of a multinational Group that is a leader in the luxury market. He has been Chairman and Chief Executive Officer of Tod's S.p.A. since 2000. In 2000 he received a degree *honoris causa* in Business and Economics from the University of Ancona.

2) Andrea Della Valle, Vice Chairman and Managing Director of Tod's S.p.A. since 2000, was born in Sant'Elpidio a Mare (FM) on September 26<sup>th</sup>, 1965. He began his training and preparation in the United States.

3) Luigi Abete, independent director without executive authority, was born in Rome (RM) on February 17<sup>th</sup>, 1947. Graduated in law, he was Chairman of Confindustria from 1992 to 1996. He has been Chairman of Banca Nazionale del Lavoro S.p.A. since 1998. In 2007 also received a degree *honoris causa* in Business and Economics from the University of Sannio. In 2009, he was appointed Chairman of ASSONIME - Association of Italian Public Limited Companies. He has been a member of the Board of Directors of Tod's S.p.A. since October 7<sup>th</sup>, 2000.

4) Maurizio Boscarato, director without executive authority, was born in Ancona (AN) on March 27<sup>th</sup>, 1941. He is a lawyer in private practice who operates his own law firm in Ancona. He established a close collaborative relationship with the Group in the mid-1990's, handling legal issues connected with its development. He was elected to the Board of Directors of Tod's S.p.A. by the Shareholders' Meeting on October 7<sup>th</sup>, 2000.

- 5) Emanuele Della Valle, director without executive authority, was born in Macerata (MC) on June 11<sup>th</sup>, 1975. After completing his studies abroad and acquiring extensive international experience in the United Kingdom, Hong Kong and the United States, he now works in the marketing and advertising sector. He has been a member of the Board of Directors of Tod's S.p.A. since October 7<sup>th</sup>, 2000.
- 6) Emilio Macellari, director with executive authority, "procuratore" (attorney-in-fact), was born in Civitanova Marche (MC), on March 11<sup>th</sup>, 1958. Graduated in law and political science, he is an independent professional and the owner of his own consulting firm. He has worked with the Group since 1976, handling corporate and tax issues. He sits on the boards of directors of various foreign subsidiaries and has been a member of the Company Board of Directors since 2000.
- 7) Pierfrancesco Saviotti, independent director without executive authority, was appointed Lead Independent Director on April 19<sup>th</sup>, 2012. Born in Alessandria (AL) on June 16<sup>th</sup>, 1942, he was Chief Executive Officer of Banca Commerciale Italiana and General Manager (Loan Business Unit) of Banca Intesa. After having been Senior Advisor for Italy and Vice Chairman of Merrill Lynch Europe, he has been appointed Chief Executive Officer of Banco Popolare Società Cooperativa. He also sits on the boards of directors of several of the most important Italian companies and on the Board of Directors of the Company since October 7<sup>th</sup>, 2000.
- 8) Stefano Sincini, Executive Director, was born in Macerata (MC), on 3<sup>rd</sup> November 1958, and is responsible, inter alia, for the Internal Control and Risk Management System. He joined the company in 1984 after graduating in banking and finance. He has been General Manager since the early 1990's, and Managing Director since 2003. He sits on the boards of directors of various foreign subsidiaries.
- 9) Vincenzo Manes, non-executive and independent Director, was born in Venafrò (IS), on 1<sup>st</sup> April 1960. He graduated in Economics and Commerce from Luiss University in Rome. He is the founder and Chairman of Intek Group (a holding company listed on the Milan Stock Exchange and operating in the sectors of industry, finance and renewable energy), as well as of the Dynamo Foundation, aimed at contributing to the development of philanthropy in Italy. In 2013 he was awarded the honour of Knight of Labour (*Cavaliere al Merito del Lavoro*). He has been a member of the Company's Board of Directors since 22<sup>nd</sup> April 2015;
- 10) Michele Scannavini, non-executive Director, was born in Ferrara (FE), on 21<sup>st</sup> April 1959. He graduated in Economics and Commerce from L. Bocconi University. He gained a significant experience with the Coty Group, a leading group in the field of cosmetics and was appointed CEO in 2012. Recently he has established a professional relationship with the Group concerning the performance of consultancy services in support of the top management. He has been a member of the Company's Board of Directors since 22<sup>nd</sup> April 2015.
- 11) Luigi Cambri, independent director without executive authority, was born in Taranto (TA) on September 10<sup>th</sup>, 1955. Graduated in law, he is a notary public ("notaio") and operates his own firm in Milan. He has been a member of the Tod's S.p.A. Board of Directors since April 27<sup>th</sup>, 2005.
- 12) Cinzia Oglio, non-executive Director, was born in Vigevano (PV), on 5 December 1970. She graduated in Economics and Commerce from L. Bocconi University. She has been the investor relations manager of the Group since 2001 and has been a member of the Company's Board of Directors since 22<sup>nd</sup> April 2015;
- 13) Romina Guglielmetti, non-executive Director, was born in Piacenza (PC), on 18 March 1973. She is a lawyer and operates her own firm in Milan. She has gained a significant experience in the field of company law, banking law, corporate governance and financial markets. She has been a member of the Company's Board of Directors since 22<sup>nd</sup> April 2015;
- 14) Sveva Dalmaso, non-executive and independent Director, was born in Rome on 9 December 1956. She has graduated in Law, is a notary public and her office is located Milan. From 1998 to 2003 she held the position of Standing Auditor of the National Notaries's Provident Fund (*Cassa Nazionale del Notariato*);

currently she is a member of the Chamber of Notaries (*Consiglio Notarile*) in Milan. She has been a member of the Company's Board of Directors since 22<sup>nd</sup> April 2015.

Please note that the Board of Directors of the Company has reviewed the satisfaction of the aforementioned requirements of executive/non-executive authority and independence/non-independence in accordance with the principles set out in Articles 2 and 3 of the Corporate Governance Code. Its most recent review of those requirements was conducted at the Board of Directors meeting held on February 29<sup>th</sup>, 2016. Furthermore, as mentioned before, the Board of Directors identified the strategic subsidiaries of the Tod's S.p.A. Group on November 11<sup>st</sup>, 2015 – for the purpose of proper implementation of the Corporate Governance Code.

It should be pointed out that, as promptly disclosed to the market, after the end of the Financial Year and, in particular on 22 January 2015, Luca Cordero di Montezemolo (who was appointed by the Shareholders' Meeting held on April 22<sup>nd</sup>, 2015 from among the sole slate presented by the majority Shareholder DI. VI. Finanziaria di Diego Della Valle & C. S.r.l.) resigned from his position as a member of the Company's Board of Directors due to subsequent professional appointments

The members of the Board of Directors have not further changed since the end of the financial year.

#### **Maximum number of simultaneous appointments within other corporations**

In relation to Application Criterion 1.C.3 of the Corporate Governance Code, it is hereby confirmed that (a) the Board of Directors did not deem it necessary or appropriate to establish general principles for determining the maximum number of Directors or Statutory Auditor appointments which may be considered compatible with effective performance as Company Director (considering, inter alia, membership of the Directors on the standing committees of the Board of Directors); (b) the failure to determine the maximum number of appointments essentially reflects the variety of situations that are theoretically possible and that can differ according to the characteristics of the individual board member, the type, size and complexity and peculiarities of the business sector of the companies in which the additional positions are held, as well as to the specific functions performed (executive, non-executive or independent director; committee member; standing auditor or chairman of the board of statutory auditors, etc.); (c) the aforementioned decision was taken by the Board of Directors on the occasion of the Framework Resolution of April 22<sup>nd</sup>, 2015, and subsequently confirmed within the context of the annual self-assessment procedures, based on which the Board has so far deemed it appropriate to confirm the reasons described in the previous letter; (d) as an alternative to the determination of a maximum number of positions, the Board of Directors opted for an assessment of the individual cases, in relation to the characteristics of each Director (experience, characteristics of the offices held, etc.) from which to deduce the compatibility of the positions held with the acceptance of the office on the Issuer's Board of Directors and Committees.

#### ***Induction Programme***

In relation to Application Criterion 2.C.2 of the Corporate Governance Code, the most of the members of the Board of Directors are thoroughly familiar with the condition and operations of the Company and Group, due in large part to their long service in office. Moreover, the number of Board of Directors meetings – and in several cases, membership on the Board's standing committees – guarantees that the directors (and statutory auditors) are constantly updated on the performance of the Company and the market.

The Chairman of the Board of Directors ensures that the directors participate in projects (including, but not limited to, visits to productions sites, invitations to events for the presentation of collections, or to

shows) aimed at fostering knowledge of the industry in which the Company operates, as well as of the corporate dynamics and their evolution.

Moreover, the delegated bodies provide material information about the performance of the Company and Group at Board of Directors meetings, providing a continuous flow of information covering, inter alia, the principal changes in the applicable legislative and self-regulatory framework and their impact on the Company.

#### **4.3 Functions of the Board of Directors (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)**

As previously illustrated in the Reports on the Corporate Governance and the Ownership structure prepared for the previous years, the Board of Directors of Tod's S.p.A. plays a key role in determining the Issuer's and Group's strategic objectives.

The Board of Directors met nine times in the course of the Financial year, with six meetings being planned for the current financial year (three of which have already been held, including the one for approval of this Report). Board of Directors meetings normally last on average three hours and half.

Directors regularly attended Board meetings (the overall attendance rate was 80.2%, while the rate of attendance by independent directors was 66.7%).

Complete information related to all items on the Board of Directors meeting agendas is promptly distributed to all Directors reasonably in advance of the scheduled meeting dates.

Specifically in regard to Application Criterion 1.C.5 of the Corporate Governance Code, the Board of Directors has decided not to set a rigid deadline for the transmission of documents before Board meetings, given that this deadline may reasonably vary from time to time, according to contingent circumstances and the specific documentation that must be submitted to the Board of Directors.

Board of Directors meetings are held with the direct participation of all its members. Their diverse expertise allow them to analyse and investigate the matters set on the agenda from different perspectives, enriching the exchange of opinions that is essential to all pondered and informed decisions. The Chairman ensures that the time required to allow for a constructive discussion is dedicated to the items on the agenda.

No outsiders have attended Board meetings held in the Financial year.

In accordance with the law and the Articles of Association, the Board of Directors has ample powers of ordinary and extraordinary administration, with it being responsible for all those matters that are not expressly reserved by law and the Articles of Association to the purview of the Shareholders' Meeting.

Pursuant to Article 24 of the Articles of Association, the Board is empowered to approve mergers in the cases contemplated in Articles 2505 and 2505-bis of the Italian Civil Code, the setting up and closure of secondary offices, reductions in share capital in the case of withdrawal by Shareholders, amendments to the Articles of Association as necessary to comply with applicable regulations, and transfer of the Company's registered office within Italy.

Under Article 25 of the Articles of Association, the Board of Directors is reserved the exclusive prerogative, in addition to the duties that cannot be delegated pursuant to law, of defining the general policy for management and organisational development, defining the rules for the drafting and amendment of internal regulations, appointing and dismissing general managers. Moreover, pursuant to Article 5 of the Procedure on Related Parties Transactions and in accordance with Article 25 of the Articles of Association, as well as Article 8 of the Related Parties Regulation, the Board of Directors is vested with exclusive discretionary powers to authorize highly significant related-party transactions, on the basis of a favourable advisory opinion rendered in such regard by the Independent Directors Committee (or,

otherwise, to seek shareholder approval of such transactions, in the event where such approval is required pursuant to application rules and regulations). Moreover, any and all highly significant related-party transactions to be executed with a company controlled by the Issuer must first be submitted to the Board of Directors for review and approval on the basis of the binding opinion of the Company's Independent Directors Committee.

Furthermore, in accordance with principle 7.P.3 and criteria 1.C.1., 2.C.3 and 7.C.1 of the Corporate Governance Code, in addition to its responsibilities pursuant to the law and the Articles of Association (and within the limits of the same), the Board of Directors has reserved to itself the exclusive prerogative to:

- a) examine and approve the strategic, operational and financial plans of the Company and the Group it heads, periodically monitoring its implementation, as well as defining the Company's corporate governance system and the structure of the Group;
- b) define the nature and level of risk as compatible with the strategic objectives of the Company;
- c) after defining the applicable criteria, identify the strategic subsidiaries of the Group, evaluate the adequacy of the organizational, administrative and accounting structure of the Company, as well as that of its subsidiaries having strategic relevance, particularly in regard to the Internal Control and Risk Management System;
- d) specify the frequency, as a rule no less than once every three months, within which the bodies and persons in question must report to the Board on the activities performed in the exercise of the powers delegated to them;
- e) evaluate the general performance of the Company, with special emphasis on the information received from delegated bodies and managing directors, and periodically compare the results achieved against pre-set targets;
- f) resolve upon transactions having a significant impact on the Company's strategies, profitability, assets and liabilities or financial position, and performed by the Company itself or its subsidiaries and, towards such end, establish general criteria for identifying the transactions which might have a significant impact ("Guidelines");
- g) at least once annually, evaluate the performance, size and composition of the Board of Directors and its Committees, inter alia on the basis of its members' professional qualifications, management and other experience, gender, and tenure;
- h) on the basis of the review indicated at sub-indent g), provide the Shareholders with information before they elect the new Board of Directors, illustrating the biases of those candidates deemed to be worthy of election to the Board;
- i) provide information in the report on corporate governance that specifically concerns: (1) its composition, indicating the status of each member (executive, non-executive or independent), the position each member holds on the Board of Directors (ad e.g. chairman or chief executive officer), his principal professional qualifications and years in office since first being elected; (2) the procedures adopted for implementation of Article 1 of the Governance Code and, in particular, the number and average length of meetings held by the Board of Directors and Executive Committee, if one has been formed, during the financial year and the percentage of such meetings attended by each Director; (3) the procedures for carrying out the assessment process illustrated at sub-indent g) hereinabove;
- l) in view of assuring proper management of Company information, adopt a procedure for internal management and public disclosure of documents and information concerning the Company, and especially insider information;
- m) designate a lead independent director if the Chairman is the principal person in charge of managing the Company (e.g. chief executive officer) or controls the Company;



n) designate (i) one or more Directors to establish and maintain an effective Internal Control and Risk Management System (the “Director Responsible for the Internal Control and Risk Management System”), and (ii) a Control and Risk Committee, delegated with responsibility for providing support, including adequate investigation, for the findings and decisions of the Board of Directors relating to the Internal Control and Risk Management System, and those related to approval of the periodic financial reports; and, after receiving the opinion of the Control and Risk Committee, the following duties, which are illustrated in greater detail in the Guidelines for the Internal Control and Risk Management System of the Tod’s S.p.A. Group (hereinafter, the “*Guidelines*”):

- o) define the Guidelines of the Internal Control and Risk Management System, so that the principal risks faced by the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, while also determining the degree of compatibility of these risks with business management that is consistent with the identified strategic objectives;
- p) assess the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the dimensions, complexity and risk profile of the business;
- q) at least once annually, approve the audit plan prepared by the Head of the Internal Audit Function, after consulting with the Board of Statutory Auditors and the Directors Responsible for the Internal Control and Risk Management System;
- r) approve the strategies and policies for management of the principal risks faced by the Issuer and the Tod’s S.p.A. Group;
- s) describe the principal elements of the Internal Control and Risk Management System in the annual report on corporate governance, giving its evaluation of the adequacy of that system;
- t) assess, after consulting with the Board of Statutory Auditors, the results stated by the independent auditor in any letter of suggestions and in the report on fundamental issues raised during statutory audit of the accounts; and, on motion by the Directors Responsible for the Internal Control and Risk Management System, after obtaining the favourable opinion of the Control and Risk Committee, and consulting with the Board of Statutory Auditors:
- u) appoint and dismiss the Head of the Internal Audit Function;
- v) assure that he disposes of adequate resources to discharge his duties;
- z) define his remuneration consistently with corporate policy.

In relation to Article 6 of the Corporate Governance Code, and in compliance with Article 123-*ter* TUF, the Board of Directors is also assigned the responsibilities established in the “*Tod’s S.p.A. Group Remuneration Policies and implementing procedures*” adopted by resolution on November 11<sup>th</sup>, 2011, and, finally, as amended by a Board resolution of November 11<sup>st</sup>, 2015, and illustrated in the Remuneration Report prepared in accordance with Article 123-*ter* TUF.

In regard to Application Criterion 1.C.1 of the Code, the Board of Directors has formally confirmed (in its “Framework Resolution” on corporate governance adopted on April 22<sup>nd</sup>, 2015) the principle that the delegated bodies report to the Board of Directors at least once quarterly on their activities performed pursuant to their granted delegations of authority, in accordance with applicable provisions of law (Art. 2381 Italian Civil Code and Art. 150 TUF) and of the Articles of Association (Art. 24).

In implementation of the principles and responsibilities described hereinabove, the Board of Directors:

- a) assessed the adequacy of the organisational, administrative and accounting structure of the Issuer and strategic subsidiaries at the meetings held to approve the half-year report at June 30<sup>th</sup>, 2015, the consolidated earnings figures of the Group for the 2015 financial year (Board of Directors meeting on January 21<sup>dst</sup>, 2016), and the Annual Financial Report at December 31<sup>st</sup>, 2015. In particular, said

assessments were carried out on the basis of the analysis by the Director Responsible for the Internal Control and Risk Management System after obtaining the opinion of the Risk Control Committee which, at its own meetings – attended also by the Head of the Internal Audit Function – (for more information, see below), continuously monitored the adequacy and effective functioning of the Issuer's and the Group's Internal Control and Risk Management Systems, particularly those of its strategic subsidiaries. In regard to the latter, the Board of Directors of the parent company Tod's S.p.A., at its November 13<sup>th</sup>, 2007 meeting and, ultimately, at its November 11<sup>st</sup>, 2015 meeting, resolved to identify the **"strategic subsidiaries"** according to the following criteria: i) number of employees; ii) sales volume; iii) value of assets; iv) existence of a developed organisational structure at the subsidiary, characterised by a major management presence (other than members of the board of directors) and vested with operating autonomy; v) significance and complexity of the functions performed by the subsidiary; vi) strategic relevance of the subsidiary on the market. Following analysis of the above mentioned parameters, most recently at the November 11<sup>st</sup>, 2015 meeting, the following companies were identified as strategic subsidiaries of Tod's S.p.A.: Tod's France Sas, Tod's Japan KK, Deva Inc., Tod's Hong Kong Ltd., Tod's (Shanghai) Trading Co. Ltd. and Tod's Korea Inc.;

b) assessed general operating performance on March 14<sup>th</sup>, 2016 according to the information received from the delegated bodies, comparing achieved results with budgeted targets;

c) approved the *"Guidelines for Significant Transactions of Tod's S.p.a."* (available on the Company web site [www.todsgroup.com](http://www.todsgroup.com) in the *"Corporate Governance/Procedures and Guidelines"* section), which provide precise criteria to identify transactions executed with third parties, including those through subsidiaries, which are subject to prior examination and approval by the Board on account of their economic, equity or financial relevance. (Following the entry into force of the Related Parties Regulation, the Board of Directors has updated, *inter alia*, the criteria used to identify the *"significance"* of transactions to be subject to its prior examination and approval);

d) twice in the Financial year and, finally, on February 29<sup>th</sup>, 2016, carried out the evaluation of the functioning of the Board of Directors and its committees, as well as of their size and composition (so called *self-assessment*).

The self-assessment by the Board of Directors was managed by the Chairman of the Control and Risk Committee, which collected the Directors' opinions on the size, composition and functioning of the Board and its Committees. In particular, the self-assessment concerned: (i) whether the size and composition of the Board of Directors are adequate with respect to the Company's operations, as measured *inter alia* by the professional expertise of its individual members; (ii) the number, expertise, authority and available time of the non-executive and/or independent directors; (iii) the provision of timely and complete information and documents to Board and Committee members before their meetings, as well as any in-depth analyses carried out during the respective sessions; (iv) the adequacy of the information received by the delegated bodies at least once every quarter in regard to the activities which they are delegated to supervise and manage and to the most significant transactions in economic, financial and capital terms; (v) the adequacy of the information provided by the delegated bodies for assessment of general operating performance and its outlook; (vi) the adequacy of the Company's organisational structure in relation to the management of conflicts of interest and related-party transactions; (vii) the adequacy of the organizational, administrative and accounting structure of the Company and of its subsidiaries with a strategic importance, as outlined by the Director appointed to the Internal Control and Risk Management System; (viii) whether the number of director and auditor positions at other companies held by each Company Director is compatible with effective performance of the Director's duties at the Company; (ix) the adequacy of the directors' expertise in defining the sustainable levels of risk to which the Company is exposed; (x) the adequacy of the directors' and key

managers' compensation in relation to the goal of creating shareholder value over the medium-long-term; and, finally, (xi) assessment of the independence prerequisites established by law and the Code.

Finally, at its meeting on February 29<sup>th</sup>, 2016, the Board of Directors examined the outcome of the self-assessment and found – with the concurrent approval of the independent directors – that the size and composition of the current Board of Directors (consisting of 14 Directors, including ten without executive authority, six of whom are independent) are absolutely sufficient to manage Company operations. The Directors' independence was measured on the basis of the principles established by law and the Code.

On the one hand, the self-assessment determined that the number of the Directors is adequate in relation to the Company's operations, that the number of the independent directors is adequate in terms of the size and activity of the Company, and that the ratio of all Board members to non-executive directors is adequate. On the other hand, the self-assessment revealed the heterogeneous mix of professional expertise represented on the Board of Directors, and in particular the non-executive directors' expertise in economic, accounting, legal, financial and/or compensation policy matters. That diversity facilitates the exchange of different opinions on the Board, which is the premise for taking all pondered and informed decisions.

The Board of Directors – with the support of the independent directors – praised the functioning of the Board of Directors and its Committees, finding that the information and documents provided before their meetings was adequate, complete and prompt, and found that the information received by delegated bodies during the board meetings was adequate and satisfactory both in regard to the general performance of the Company and to related party transactions.

At the end of the self-assessment, the Board confirmed its decision:

- (i) to defer the imposition of any general rules governing the maximum number of director or statutory auditor positions that may be considered compatible with effective performance of an individual's position as Company Director and Committee member. Instead, the Board of Directors opted to assess them on a case-by-case basis, according to the characteristics of each Director (e.g. experience, characteristics of the offices held);
- (ii) that the Directors have sufficient expertise to establish the levels of sustainable risk to which the Company is exposed;
- (iii) that the directors' and key managers' compensation is such as to stimulate their interest in the objective of the creation of value for the shareholders in the medium and long term

Fulfilling its obligations under Application Criterion 1.C.1, sub-indent (h) of the Code, the previous Board of Directors reviewed the results of the self-assessment at its meeting on March 4<sup>th</sup>, 2015 (acting before election of the new Board by the Shareholders' Meeting on April 22<sup>nd</sup>, 2015). At that meeting, it issued its recommendations to the Shareholders in the Management Report on the Agenda of the Shareholders' Meeting pursuant to Art. 125-ter TUF

, suggesting that the slates of nominees include (i) individuals possessing adequate managerial and other experience and economic, accounting, legal, financial, risk management and/or compensation policy expertise; (ii) an adequate number of candidates who meet independence requirements, so that at least one third of the Board of Directors can be composed of independent Directors, in accordance with the recommendations laid down in the Corporate Governance Code in relation to companies listed in the FTSE-Mib index, as well as, with reference to the lists containing a number of candidates equal to or higher than three; (iii) candidates from both genders, so that the composition of the Board of Directors ensures gender balance to the extent set out in art. 2 of Law no. 120/11.

The Shareholders' Meeting held on April 22<sup>nd</sup>, 2015 resolved to authorise the Directors to accept positions and to engage in activities prohibited under the not-to-compete clause in Article 2390 of the Italian Civil Code. Pursuant to Application Criterion 1.C.4 of the Corporate Governance Code, the Board of Directors is responsible for assessing the merits of each problem and reporting any criticalities at the first Shareholders' Meeting held thereafter. For this reason, each Director shall inform the Board of any of his/her conflicts of interest with the Company on the day that he or she accepts his/her nomination and every significant change thereafter. No problems or criticalities of this nature and that would have to be referred to the Board arose during the financial year.

#### **4.4 Delegated bodies**

The Board of Directors operates, not only directly and as a panel, but also through:

- the Chairman,
- the Vice Chairman,
- the Managing Directors (whom the Company has appointed in the persons of the Chairman, the Vice Chairman and the Chief Executive Officers),
- the Executive Committee.

The **Chairman**, Mr. Diego Della Valle is also a **Managing Director** vested – under his own sole signature and with authority to sub-delegate, as well as with the legal representation of the Company and all the other responsibilities imposed on the Chairman pursuant to the Articles of Association – with full powers to:

- a. request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on amount;
- b. withdraw amounts for the current accounts already opened or to be opened in the Company's name as well as issue and accept bills, without any limit on the amount;
- c. negotiate, conclude and enter into agreements, instruments, letters or declarations concerning guarantees, surety policies, letters of patronage or guarantees on first demand in favour of the Company and the companies controlled directly or indirectly, including all counter guarantee or surety or acceptance instruments and declarations which may be requested;
- d. purchase and sell personal and real property of any nature and kind whatsoever, as well as enter into finance lease agreements;
- e. recruit, appoint, suspend and dismiss Company executives and employees in general, save for General Managers who can only be appointed and dismissed by the Board of Directors;
- f. file lawsuits, court motions and administrative petitions, at all levels of jurisdiction as well as on appeal to the Court of Cassation and for revocation, designate arbitrators and grant powers of attorney to lawyers and attorneys ad litem; appoint special attorneys-in-fact in general;
- g. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension, accepting and signing any and all settlements reached with the said Offices;
- h. undertake any and all actions of routine business administration, including, without limitation, the power:
  - sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
  - sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
  - purchase and sell vehicles, personal property, office machines and equipment in general;
  - purchase the materials, products and machinery necessary or useful to the Company's business;

- enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
- enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt therefore;
- issue credit and debit notes as well as to collect amounts due to the Company, even through bills or notes, issuing full and final receipt therefore;
- adjust accounts with customers and suppliers, approving or contesting the accounts in question;
- file for declarations of insolvency, bankruptcy protection proceedings, proceedings for subjection to special administration and to bring insolvency proceedings in general, with all the related powers, without exception or exclusion, including the power to file for proof of debt and declarations of the existence of debt, and to accept or refuse settlements proposed by debtors or the parties in charge of the procedure, to waive rights and to enter into settlement agreements;
- accept and pay debts, collect any and all amounts due for any reason or cause whatsoever, from private and public bodies, and issue the related receipts;
- pick up or have picked up any correspondence, packages or shipments, including registered and insured letters or other special mail, from the Post Office, the Railways, the Customs and any and all goods carriers or transport companies in general, issuing the related discharges and receipts, as well as to collect postal and telegraphic money orders and railway cheques, issuing the related receipts;
- accept and enter into arbitration clauses and proceedings, appointing sole arbitrators or a panel of arbitrators, both in formal and informal proceedings, including ex aequo et bono proceedings, waiving, if necessary, the right to raise further claims or file appeals against or motions for the review of the related awards;
- make deposits or have deposits made on the current accounts opened or to be opened in the name and on behalf of the Company with Banks and Post Offices and to endorse or cause the endorsement of cheques and bills for collection and discount;
- endorse bills issued by customers, by way of payment of debts;
- execute urgent, extraordinary administration acts, except for the acts reserved to the exclusive jurisdiction of the Meeting or the Board of Directors, according to law or the Articles of Association, or in compliance with the applicable principles, also the principles of Self-regulation. The Board of Directors shall be informed of such acts in the first Meeting after their execution.

Likewise, the **Vice Chairman, Mr. Andrea Della Valle**, was named Managing Director and invested – under his own sole signature and with authority to sub-delegate, as well as with the legal representation of the Company and all the other responsibilities imposed on the Chairman pursuant to the Articles of Association – with full powers to:

- a. request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on amount;
- b. withdraw amounts for the current accounts already opened or to be opened in the Company's name as well as to issue and accept bills, without any limit on amount;
- c. negotiate, conclude and enter into agreements, instruments, letters or declarations concerning guarantees, surety policies, letters of patronage or guarantees on first demand in favour of the Company and the companies controlled directly or indirectly, including all counter guarantee or surety or acceptance instruments and declarations which may be requested;
- d. purchase and sell personal and real property of any nature and kind whatsoever, as well as enter into finance lease agreements;

- e. recruit, appoint, suspend and dismiss Company executives and employees in general, save for General Managers who can only be appointed and dismissed by the Board of Directors;
- f. promote legal and administrative actions and petitions before all Courts and Tribunals and also before the Court of Cassation and revoke and appoint arbitrators and confer powers of attorney on lawyers and attorneys ad litem; appoint special attorneys-in-fact in general;
- g. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension, accepting and signing any and all settlements reached with the said Offices;
- h. undertake any and all actions of routine business administration, including, without limitation, the power:
  - to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
  - to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
  - to purchase and sell vehicles, personal property, office machines and equipment in general;
  - to purchase the materials, products and machinery necessary or useful to the Company's business;
  - to enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
  - to enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt therefore;
  - to issue credit and debit notes as well as to collect amounts due to the Company, even through bills or notes, issuing full and final receipt therefore;
  - to adjust accounts with customers and suppliers, approving or contesting the accounts in question;
  - to file for declarations of insolvency, bankruptcy protection proceedings, proceedings for subjection to special administration and to bring insolvency proceedings in general, with all the related powers, without exception or exclusion, including the power to file for proof of debt and declarations of the existence of debt, and to accept or refuse settlements proposed by debtors or the parties in charge of the procedure, to waive rights and to enter into settlement agreements;
  - to accept and pay debts, collect any and all amounts due for any reason or cause whatsoever, from private and public bodies, and issue the related receipts;
  - to withdraw or cause the withdrawal of correspondence, packages or shipments, including registered and insured letters or other special mail, from the Post Office, the Railways, the Customs and any and all goods carriers or transport companies in general, issuing the related discharges and receipts, as well as to collect postal and telegraphic money orders and railway cheques, issuing the related receipts;
  - to accept and enter into arbitration clauses and proceedings, appointing sole arbitrators or a panel of arbitrators, both in formal and informal proceedings, including ex aequo et bono proceedings, waiving, if necessary, the right to raise further claims or file appeals against or motions for the review of the related awards;
  - to deposit or have deposits made on the current accounts opened or to be opened in the name and on behalf of the Company with Banks and Post Offices and to endorse or cause the endorsement of cheques and bills for collection and discount;
  - to endorse bills issued by customers, by way of payment of debts;

i. to execute urgent extraordinary administration acts, except for the acts reserved to the exclusive jurisdiction of the Meeting or the Board of Directors, according to law or the Articles of Association, or in compliance with the applicable principles, also the principles of Self-regulation. The Board of Directors shall be informed of such acts in the first Meeting after their execution.

The **Chief Executive Officer**, Mr. **Stefano Sincini**, has also been appointed **Managing Director**, invested, through specific power of attorney, and under his own sole signature, with all the powers required to:

- a. to request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on the amount;
- b. to withdraw amounts for the current accounts already opened or to be opened in the Company's name;
- c. to purchase and sell personal property of any nature and kind whatsoever, as well as enter into finance lease agreements;
- d. to recruit, appoint, suspend and dismiss Company employees, with the exception of executives;
- e. to promote legal and administrative actions and petitions before all Courts and Tribunals and also before the Court of Cassation and revoke and appoint arbitrators and to confer powers of attorney on lawyers and representatives ad litem; to appoint special representatives in general;
- f. to sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension;
- g. to undertake any and all actions of routine business administration, including, without limitation, the power:
  - to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
  - to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
  - to purchase and sell vehicles, personal property, office machines and equipment in general;
  - to purchase the materials, products and machinery necessary or useful to the Company's business;
  - to enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
  - to enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt therefore;
  - to issue credit and debit notes as well as to collect amounts due to the Company, even through bills or notes, issuing full and final receipt therefore;
  - to adjust accounts with customers and suppliers, approving or contesting the accounts in question;
  - to file for declarations of insolvency, bankruptcy protection proceedings, proceedings for subjection to special administration and to bring insolvency proceedings in general, with all the related powers, without exception or exclusion, including the power to file for proof of debt and declarations of the existence of debt, and to accept or refuse settlements proposed by debtors or the parties in charge of the procedure, to waive rights and to enter into settlement agreements;
  - to accept and pay debts, collect any and all amounts due for any reason or cause whatsoever, from private and public bodies, and issue the related receipts;
  - to pick up or have picked up any correspondence, packages or shipments, including registered and insured letters or other special mail, from the Post Office, the Railways, the Customs and any and all

goods carriers or transport companies in general, issuing the related discharges and receipts, as well as to collect postal and telegraphic money orders and railway cheques, issuing the related receipts;

- to accept and enter into arbitration clauses and proceedings, appointing sole arbitrators or a panel of arbitrators, both in formal and informal proceedings, including ex aequo et bono proceedings, waiving, if necessary, the right to raise further claims or file appeals against or motions for the review of the related awards;

- to make or cause the making of deposits in the current accounts opened or to be opened in the name and on behalf of the Company with Banks and Post Offices and to endorse or cause the endorsement of cheques and bills for collection and discount;

- to endorse bills issued by customers, by way of payment of debts;

with all of the foregoing in respect of the prerogatives reserved by law or the Articles of Association to the Shareholders' Meeting or the Board of Directors, or in compliance with applicable principles, including the Code.

At the meeting held on November 12<sup>th</sup>, 2014, the Board of Directors appointed Mirko Bartoloni, the Group's Supply Chain Manager, and the Managing Director **Stefano Sincini** as "**Employer**" pursuant to and in application of Legislative Decree 81 of April 9<sup>th</sup>, 2008 for the production units/organisational structures that are respectively listed therein and, in that capacity, granted them the broadest decision-making and signatory powers, with spending autonomy, for implementing all occupational health and safety measures. Specifically, a specific authority was conferred on the Managing Director Stefano Sincini, including, but not limited to, the following powers:

- in collaboration with the Head of the Prevention and Protection Service, identify the risk factors and workplace safety and health measures and prepare the "Workplace Risk Assessment Document";
- designate the Head of the Prevention and Protection Service;
- carry out any and all formalities required of the "Employer" pursuant to and in application of Legislative Decree no. 81/2008, as amended and supplemented;
- ensure compliance on the part of the abovementioned production units/organizational structures with the current and future regulations governing health and safety at work and, in general, with any other rule of prudence and proper conduct at work that would limit risks and prevent any damage to people and things;
- ensure compliance with any instructions of any kind whatsoever issued by competent Authorities and the implementation of any related measures;
- appoint the competent physician, requiring him to fulfil any obligations laid down in Legislative Decree no. 81/2008, as amended and supplemented and informing him of the processes and risks associated with the activity;
- appoint the persons in charge of the Prevention and Protection Service and provide them with any information necessary to perform their duties;
- prepare and sign the interference risk assessment document ("DUVRI") referred to in art. 26, paragraph 3, of Legislative Decree no. 81/2008, with the power to delegate this function, according to the forms and requirements set out in art. 16 of Legislative Decree no. 81/2008;
- ensure that the prevention and protection measures are updated in relation to any technical and organisational changes that are of importance to health and safety at work;
- assign the tasks to the workers according to their expertise and abilities, as well as to their respective physical fitness, subject to prior consultation with the Head of the Prevention and Protection Service and the competent physician;



- require the individual workers to comply with any regulations on health and safety at work in force from time to time, as well as with the Company's instructions relating to the same matter and the use of collective and personal protective devices made available to them;
  - promptly intervene whenever he becomes aware of a situation that may endanger the health and safety of the workers and of the general public;
  - take any and all actions capable of preventing worsening of any dangerous situation that should arise with reference to the activities carried out by the workers, such as, but not limited to, the immediate suspension of work, the immediate evacuation, even if only partial, of the production unit/organizational structure concerned, the closure of them and any other action capable of preventing any damage to people, things and the environment;
  - consult the workers' health and safety representative in the cases provided for in the regulations in force from time to time, promptly deliver to such representative, on request from the latter, a copy of the document referred to in art. 17, paragraph 1, letter a) and of the document referred to in art. 26, paragraph 3, of Legislative Decree no. 81/2008, as amended and supplemented, allow the representative access to the information related to any accidents at work leading to absence from work of at least one day, excluding the day of the event, as well as to the Company's information and documents concerning the workers' health and safety and check the application of health and safety measures;
  - implement the internal emergency plan, defining roles and responsibilities of workers and third parties, and take any measures required for the purposes of fire prevention and evacuation of workers and third parties in case of emergency, as well as in case of serious and imminent danger, and for this purpose:
    - (i) maintain and manage the necessary relations with the public services responsible for first aid, rescue, fire fighting and emergency management;
    - (ii) designate in advance the workers responsible for implementing measures concerning fire prevention and fighting and the evacuation of workers in case of serious and imminent danger, as well as the relevant measures and the conduct to adopt;
    - (iii) planning information, training and education programs, as well as any simulation activities in response to emergency situations;
- the measures must be appropriate to the nature of the business, the size of the company or of the production unit and to the number of persons present at the time;
- ensure that, in case internal works/services are awarded to contractors or self-employer workers, the protection and prevention measures against workplace and interference risks are defined, by promoting coordination between the companies involved and monitoring the implementation of the instructions given;
  - fulfil any information, training and education obligations concerning health and safety;
  - as regards production units with more than 15 workers, convene and attend the periodical meeting referred to in art. 35 of Legislative Decree no. 81/2008, as amended and supplemented;
  - in case of new election or designation, communicate the names of the workers' safety representatives to INAIL (the Italian Institute for Insurance against Accidents at Work) via email, and, through the latter, to the national information system for prevention of accidents at work referred to in art. 8 of Legislative Decree no. 81/2008, as amended and supplemented;
  - ensure that the workers subject to health surveillance are not assigned to the specific functions without the required qualification;

- enter into, with the most appropriate clauses, including the arbitration clause, amend and terminate agreements for the acquisition of materials, services, works and anything else required for implementing all appropriate measures for the safety of the workers, health care, protection of the environment inside and outside the workplace in relation to the activities carried out within the framework of the plan of action presented from time to time to the Board of Directors. The power to take actions may be exercised without any restriction, with spending autonomy and, in case of emergency, also in derogation of the Company's procedures and in addition to the plan of action referred to above, giving prompt notice thereof to the delegated bodies;
- carry out the formalities concerning the role of Customer referred to in Legislative Decree no. 81/2008, Title IV, including the appointment of the works manager, where deemed necessary;
- ensure that workplaces, plants, means of transport and safety devices are kept functioning and in good maintenance and repair and that any and all procedures are applied for any issue related to their correct functioning, in agreement with the relevant corporate functions, in order to promptly correct any malfunction and restore the correct operation of the same;
- ensure that all workers are provided with Personal Protective Devices ("PPD") and equipment suitable for the work to be carried out and, in any case, adequate for health and safety purposes, providing the workers with any necessary information and instructions for use, including the obligation to use them, relating to safety, together with the relevant training and education;
- ensure that the necessary organisational measures and the appropriate means are adopted with reference to the manual handling of loads, providing the workers with any adequate means, information and training;
- ensure that, in compliance with the legal requirements, the necessary preventive and protective, technical and hygiene measures and rules are adopted, as well as, that the necessary health, organisational and procedural checks are carried out, and that the workers receive adequate information and training for the elimination, whenever possible, or the reduction to an acceptable level, of any risks associated with biological agents, carcinogens and mutagens at workplace;
- ensure that appropriate measures are adopted to mitigate any risks associated with the use of equipment provided with video terminals, complying with any legal requirements applicable to the daily performance of work, health surveillance, the information and training of the workers, consultation and participation, as well as the compliance with law;
- if necessary, avail himself of outsourcers possessing specific professional expertise and know-how;
- represent the Company in relations with government agencies, public and private entities, performing all those acts and operations as necessary to obtain concessions, licenses and authorisations in general;
- represent the Company in lawsuits and actions before any court and/or administrative authority in any venue or level of jurisdiction.

The Managing Director in charge of the "Employer" function shall also have the authority to delegate, where permitted by the regulations applicable from time to time, all or some of his own functions and responsibilities, including the power of subdelegation, to one or more suitable persons who possess adequate skills, without prejudice to his responsibility for managing the entire occupational health and safety system and the obligation to supervise and control the operations of the delegated persons.

The Board Member Stefano Sincini has also been designated by the Board of Directors as Director Responsible for the Internal Control and Risk Management System.

The Director **Emilio Macellari** has been delegated specific authority to supervise and coordinate the financial management of the Company, with specific regard to the operations of the existing financial sources, the control and planning of flows, the financial strategy to cover potential investments, including the preliminary borrowing of possible funds in consideration of development projects and the more efficient management of available financial resources, as well as to supervise and coordinate the complex administrative apparatus of the Company, including the activities of corporate bodies, to assure its most effective organisation, guarantee the Company and the Group the most efficient and dynamic support for the Managing Directors' project planning activities, and supervising and coordinating relations with institutional investors and other shareholders in compliance with applicable internal procedures.

The Chairman of the Board of Directors, Mr. Diego Della Valle, is the controlling shareholder and Chief Executive Officer of the Issuer.

In regard to Application Criterion 2.C.5 of the Code, which recommends that the chief executive officer of an issuer not sit on the board of directors of any other issuer (that does not belong to the same Group) at which a director of the Issuer is chief executive officer, it should be pointed out that there are no cross directorship situations among the members of the Issuer's Board of Directors.

#### **Chairman of the Board of Directors**

In regard to 2.P.5 of the Corporate Governance Code (illustration of the reasons why delegations of operating authority are granted to the Chairman), note is made that the Board of Directors, examining again the issue on February 29<sup>th</sup>, 2016, confirmed its opinion and decided that the corporate governance of Tod's S.p.A. is perfectly consistent with the Company's interests, including in regard to the concentration of duties, considering *inter alia* that (i) the Chairman, to whom operating authority has been delegated, is the director who has worked for the greatest number of years at the firm, and his role is not limited to institutional and representative functions, but instead fully engaged in Company operations, which is essential to its realizing optimum performance; (ii) operating authority has also been delegated to other directors, in addition to the Chairman (there are a total of four directors with executive authority).

In reference to Application Criterion 2.C.3 of the Corporate Governance Code, note is made that the Chairman of the Board of Directors, Mr. Diego Della Valle, is the controlling shareholder and Chief Executive Officer of the Issuer, and that in the aforementioned Framework Resolution of April 22<sup>nd</sup>, 2015, the Board of Directors found that it was appropriate to designate a lead independent director who would be delegated the functions suggested by the Corporate Governance Code (as illustrated in paragraph 4.7).

#### **Executive Committee (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)**

The current Executive Committee is made up of the following four members: Diego Della Valle (Chairman), Andrea Della Valle (Vice Chairman), Emilio Macellari and Stefano Sincini.

The Executive Committee has been appointed by the Board on April 22<sup>nd</sup>, 2015 for a three years term, and shall remain in office until the next Shareholders' Meeting called to approve the financial statements for financial year 2017.

In light of the Company's size, as well as in the interest of promoting managerial efficiency, whilst also boosting the flexibility and speed of operations, the Executive Committee is expressly invested with all the powers attributed to the Board of Directors, save for those reserved under law (section 2381 of the Italian Civil Code), or the Articles of Association, to the Board itself, without prejudice to the powers

reserved solely to the Board of Directors, in compliance with the principles of Self-regulation and any and all applicable rules and regulations, as already described above.

The Executive Committee met 5 times during the Financial year and at least four Meetings are scheduled for the current financial year (2 of which have already taken place). In general, the Executive Committee's Meetings have a duration that varies from five to six hours.

The Meetings recorded the regular and diligent participation of its members (in fact, the overall percentage participation was 95.5%, while the percentage participation of each Committee Member in the Meetings held is indicated in Table no. 2 attached hereto).

#### **Reporting obligations towards the Board**

The Managing Directors and other executive directors, as well as the Executive Committee, shall, at least on a quarterly basis:

- provide the Board of Directors with a full account of the routine as well as atypical or unusual activities undertaken in performance of the tasks and duties delegated to each of them respectively;
- seek Board authorisation for effecting significant transactions subject to mandatory Board approval pursuant to the "Tod's S.p.A.'s Guidelines on particularly significant transactions" approved by the Board of Directors on November 11<sup>th</sup>, 2010;
- submit a full report on the conclusion of related-party transactions, both to the Board of Directors and the Board of Statutory Auditors.

As already noted, with regard to Application Criterion 1.C.1 of the Code, the Board has repeatedly asserted, even formally, (in the Framework Resolution of April 22<sup>nd</sup>, 2015) the principle that company directors, officers and/or internal committees or bodies delegated with specific tasks or powers, must provide the Board of Directors a full account of the activities undertaken in discharge of their respective delegated tasks and/or powers, at least on a quarterly basis, in accordance with law and the Company's Articles of Association.

In any event, the Executive Committee is required to submit to the Board of Directors, at the earliest opportunity, and in any case, at least on a quarterly basis, a summary report of its most significant decisions, and/or any and all other matters that ought to be brought to the Board's attention.

During the course of the Year, all company directors, officers and/or internal committees and/or bodies invested with delegated powers, duly provided the Board of Directors with an account of the activities undertaken by each of them in exercise of their respective delegated powers, at the earliest opportunity thereafter, or otherwise, on a quarterly basis.

#### **4.5 Other Executive Directors**

Board Members Emilio Macellari is also an Executive Director, in accordance with Application Criterion 2.C.1 of the Corporate Governance Code, in addition to the Managing Directors Diego Della Valle, Andrea Della Valle and Stefano Sincini. Mr. Emilio Macellari was conferred with special powers of attorney within the Issuer. Mr. Stefano Sincini is also a Director with delegated powers in a number of companies of strategic importance.

As already pointed out, the abovementioned directors are members of the Executive Committee of the Company

#### **4.6 Independent Directors**

In relation to Application Criterion 3.C.3 of the Code, it should be noted that the Company's independent directors are currently six out of a total of fourteen (therefore, more than one third of the Board members meet independence requirements).

As already mentioned, the Board of Directors carried out, in the Meeting held on April 22<sup>nd</sup>, 2015, after the appointment, based on the information provided by each Director, also following the self-assessment, deemed applicable the independence requirements referable to the following eight members, i.e. Directors: Luigi Abete, Luigi Cambri, Luca Cordero di Montezemolo, Pierfrancesco Saviotti, Vincenzo Manes, Michele Scannavini, Romina Guglielmetti and Sveva Dalmasso, reporting the outcome of its assessments in a notice disclosed to the market, in accordance with the provisions laid down under Application Criterion 3.C.4 of the Code and Art. 144-*novies* of the Issuer Regulation.

The applied independence criteria correspond to the principles established by applicable regulations and Article 3 of the Corporate Governance Code, which were applied with the following clarifications/exceptions.

In view of the fact that, as expressly provided for in the Application Criterion 3.C.1 of the Code, for the purposes of the independence assessment, greater attention must be paid to substance rather than to form, and that, all the individuals in question were unanimously found to meet the highest standards of professionalism and independence, it was decided that:

- (i) the Director Luca Cordero di Montezemolo was not compromised by his joint equity interest with Chairman Diego Della Valle in the share capital of Nuovo Trasporto Viaggiatori S.p.A. or by the circumstance that he is a director of Nuovo Trasporto Viaggiatori S.p.A., together with the Chairman Diego Della Valle;
- (ii) the Director Luigi Abete was not compromised by the fact that Directors Emilio Macellari and Emanuele Della Valle are members of the Board of Directors of Italian Entertainment Group S.p.A., chaired by Mr. Luigi Abete, and that the Chairman Diego Della Valle and the Vice Chairman Andrea Della Valle have a joint equity interest in the share capital of Italian Entertainment Group S.p.A., as well as the fact that the Director Emilio Macellari is a member of the Board of Directors of Cinecittà Entertainment S.p.A. in which Mr. Abete has the position of Managing Director
- (iii) the directors Luigi Abete, Luigi Cambri, Luca Cordero di Montezemolo and Pierfrancesco Saviotti were not compromised by the fact of having held their position for more than 9 years in the last 12 years;
- (iv) the director Sveva Dalmasso was not compromised by the circumstance that she is a close relative of an independent director who has held the position for more than 9 years in the last 12 years.

In the opinion of the Board the situations described above were not capable of jeopardising the independence of the aforementioned board members, whose high professional and entrepreneurial standing is well known in the market and ensures their large independence with respect to the opinion of the management and of the majority shareholder; such members, in fact, have constantly proven to be acting independently, presenting recommendations and suggestions with regard to various issues being discussed and resolved upon by the Board.

Subsequently, the assessment as to whether the independence requirements are met was carried out by the Board of Directors (i) during the Financial Year and, finally, (ii) on February 29<sup>th</sup>, 2016, at the end of the self-assessment procedure provided for the Chairman of the Control and Risks Committee, on the basis of the updated information provided by each director concerned. Specifically, in those circumstances, the Board, also taking account of the resignation of the non-executive and independent director Luca Cordero di Montezemolo, considered, among other things, that the independence requirements were also met by board members Luigi Abete, Luigi Cambri, Pierfrancesco Saviotti, Vincenzo Manes, Romina Guglielmetti and Sveva Dalmasso. It also acknowledged that the number of the serving members of the Board (composed of 14 directors, of which 10 are non-executive directors and 6 of which are independent directors) was fair

compared to the Company's operations and that the composition of the Board was consistent with the recommendations laid down in the current regulations, as well as in Application Criterion 3.C.3 of the Code.

After conducting the appropriate reviews, the Board of Statutory Auditors found that the principles and procedures adopted by the Board to assess the independence of its Members had been properly applied, in compliance with Application Criterion 3.C.5 of the Code.

It is hereby confirmed that, thereby also implementing Application Criterion 3.C.6 of the Code, the Independent Board Members met on December 17<sup>th</sup>, 2015, in order to assess the role played by the independent directors, also in light of the amendments made to the Corporate Governance Code (edition of July 2015).

It should be noted that all the present independent directors also met independence requirements within the slates submitted for the appointment of the Board of Directors at the time of the Shareholders' Meeting held on April 22<sup>nd</sup>, 2015. Although in the absence of an express commitment to this effect, all the independent directors, except for Board member Michele Scannavini, maintained their independence during the entire mandate.

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#### **4.7 Lead Independent Director**

Considering that the Chairman of the Board of Directors, Mr. Diego Della Valle, is the Issuer's Chief Executive Officer, as well as the Issuer's controlling Shareholder, the Board of Directors deemed it appropriate to comply with the recommendation concerning the appointment of a Lead Independent Director in order to assign the functions suggested by the Corporate Governance Code.

At the aforesaid meeting of April 22<sup>nd</sup>, 2015, the Board appointed the (non-executive and) independent Director Pierfrancesco Saviotti as the "Lead Independent Director", by complying with Application Criterion 2.C.3 of the Code and with the recommendation mentioned in the comment concerning Article 2; Pierfrancesco Saviotti was assigned the following functions:

- act as the principal contact and coordinator for requests and contributions made by the non-executive directors and, in particular, the independent directors;
- to cooperate with the Chairman of the Board of Directors in order to ensure that the Directors receive complete and timely flows of information;
- to convene, independently or on request by other directors, special meetings reserved only to independent directors for discussion of the issues deemed to be of interest to the operation of the Board of Directors or corporate management, ensuring, *inter alia*, that the Independent Directors meet at least once a year, without the other Directors.

During the financial year, the Lead Independent Director cooperated with the Chairman to guarantee the provision of complete and timely information to all directors, and he has convened a meeting of Independent Directors on December 17<sup>th</sup>, 2015.

#### **5. HANDLING OF CONFIDENTIAL INFORMATION**

At its May 15<sup>th</sup>, 2002 meeting, the Board of Directors approved the document entitled "Regulation for the Handling and Disclosure of Confidential Documents and Information Concerning the Company and Group," which regulates the procedures for external communication of confidential documents and information.

In addition to prescribing the obligation for Directors, Statutory Auditors, Investor Relations Manager and all employees in general to maintain the confidentiality of price-sensitive information and scrupulously comply with the disclosure procedure, this document defines the various responsibilities for approval and disclosure of material information. It is published in the Corporate Governance section of the web site [www.todsgroup.com](http://www.todsgroup.com).

#### 6. BOARD OF DIRECTORS COMMITTEES (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)

Pursuant to the Framework Resolution adopted on April 22<sup>nd</sup>, 2015, the Board of Directors resolved to comply with the principles and application criteria of Article 4 of the Corporate Governance Code, by setting up several Board committees charged with making proposals and giving advice in accordance with the principles set out in the Code. In particular, that resolution provides that:

- the Committees shall be made up of at least three independent directors; alternatively, the Compensation Committee and the Control and Risk Committee may be composed of non-executive directors, and the majority of these must also be independent, on condition that the chairmen of these committees be independent directors; one of the members of the Compensation Committee must have adequate knowledge and experience in financial or remuneration policy matters, as shall be determined by the Board of Directors when it appoints them, and one of the members of the Control and Risk Committee must have adequate experience in accounting, finance or risk management, as determined by the Board of Directors when it appoints him;
- the duties of individual Committees are provided by the resolution by which they are established and may be supplemented or amended by a subsequent resolution of the Board of Directors;
- minutes shall be drafted of all Committee meetings;
- in the performance of their duties, the Committees have the right to access the Company information and functions, as necessary to perform their duties, and to use external advisors in accordance with the conditions that are periodically established by the Board of Directors; on request, each Committee may draw on the resources provided by the Company in order to fulfil its mandate in accordance with the conditions imposed by the Board of Directors, or its Chairman or by the Director Responsible for the Internal Control and Risk Management System, without prejudice to the rules governing related party transactions;
- in its annual Report on Corporate Governance, the Board of Directors provides the market with information about the establishment and members of its Committees, the mandates given to them, and – on the basis of what each Committee reports – the activities they actually performed during the year, the number and average length of Committee meetings, and the percentage rate of participation by each member at those meetings;
- persons who are not members of the Committee may participate in the meetings of each Committee upon invitation of the same, with reference to individual items on the agenda, including other members of the Board of Directors or the Company organisation; the Control and Risk Committee meetings may be attended by the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him (however, the other Statutory Auditors may attend them as well); the Chairman of the Board of Statutory Auditors – or another Statutory Auditor designated by him – should also participate at the meetings of the Compensation Committee;
- the meetings of each Committee are chaired by its own Chairman; if the Chairman is absent or the Committees decide by unanimous vote, the meetings of each Committee may be chaired by another one of its members;
- resolutions can only be validly passed by Committee meetings attended by a majority of Committee members; resolutions are passed by the favourable vote of the absolute majority of the Committee

members present at Committee meetings, and in the case of a tie, the deciding vote shall be cast by the chairman of the meeting; Committee meetings may be held by conference call or videoconference, on condition that all participants can be identified by the chairman of the meeting and the other participants, that they can all follow and participate in the discussion in real time, as well as receive and send documents. In such case, the Committee meeting shall be deemed to be held in the place where the chairman of the meeting is physically present.

In addition to the Executive Committee, the TOD'S S.p.A. Board of Directors established, in compliance with the principles of corporate governance, the Control and Risk Committee and the Compensation Committee, both of which are charged with providing advice and making recommendations.

With regard to application criterion 4.C.1 sub-section c) of the Code, it should be noted that the Issuer has not established a committee carrying out one or more functions of two or more committees provided by the *Corporate Governance Code*.

Besides the committees established and functioning in compliance with the Code, it should be noted that the Board of Directors, by a Framework Resolution dated April 22<sup>nd</sup>, 2015, confirmed the establishment of the Independent Directors Committee, with the relevant functions and responsibilities which the Related Parties Regulation and the Procedure on Related Parties Transactions vest in a committee composed solely of Independent Directors with reference to related parties transactions of a greater importance; the above mentioned Committee functions in compliance with the principles of corporate governance which regulate the Control and Risk Committee function.

The relevant functions and responsibilities which the Related Parties Regulation and the Procedure on Related Parties Transactions vest in a committee composed of non-executive directors in majority independent with reference to related parties transactions of a minor importance are in the responsibility of the Control and Risk Committee.

## 7. APPOINTMENT COMMITTEE

At the date of approval of this Report, the Board of Directors had not found it necessary, by unanimous decision made within the Framework Resolution dated April 19<sup>th</sup>, 2012, and subsequently confirmed from year to year, to set up an appointment Committee; this decision was made in consideration of the current structure of company ownership which features a high level of concentration of ownership and taking account that – as expressly provided for in the comments on art. 5 of the Code – *“the appointment Committee is historically set up in systems characterised by a high level of shareholder dispersion ... and that, mainly with publicly-owned companies, it performs a function of particular importance in the identification of the candidates to the position of director.”*

The principles of corporate governance received by TOD'S S.p.A. require that the proposals for appointment as director, accompanied inter alia by adequate disclosure of the nominee's personal information and professional qualifications, with indication of their possibility of being qualified as independent directors pursuant to Article 3 of the Code, are deposited at the registered office of the Company within the terms provided by the relevant law – also regulatory provisions – time by time in force and promptly published on the Company web site. Furthermore, it should be pointed out that the self-assessment procedure is started by the Chairman of the Control and Risk Committee through the use of specific questionnaires that are periodically submitted to all the board members, and that, at the end of such procedure, the Board identifies the composition of the governing body that is regarded from time to time as the most appropriate.



## 8. COMPENSATION COMMITTEE

In compliance with principle 6.P.3 of the Code, the Board of Directors of Tod's S.p.A., has established the Compensation Committee with advisory and recommendatory functions.

### **Composition and functioning of the Compensation Committee**

In the Board Meeting held on April 22<sup>nd</sup>, 2015, the Board resolved to establish the Compensation Committee for the 2015-2017 three-year period and up to approval of the Financial Statements referred to the last financial year, after verifying the non-executive and independence requirements in compliance with the principles established by law and by the Corporate Governance Code. The Compensation Committee comprises the following non-executive and independent Directors: Luigi Abete (Chairman), Sveva Dalmasso, Vincenzo Manes.

The Compensation Committee met four times during the Financial year, with a 100% overall attendance rate of its members (the percentage attendance of each Committee Member in the meetings held is indicated in the Table no. 2 attached hereto as an appendix); the Committee's meetings were coordinated by its Chairman, Mr. Abete; the meetings lasted about one hour and were attended by the Chairman of the Board of Statutory Auditors, in compliance with the principles of Corporate Governance. During the current financial year, the Compensation Committee met once and, to-date, an additional meeting has been scheduled.

During the Financial year, the Committee was made up of three non-executive and independent directors, the majority of whom appropriately experienced and credentialed specialists in the fields of accounting, finance and remuneration policies.

No Director attended the Compensation Committee Meetings in which proposals to the Board of Directors were drawn up in relation to his own compensation, in compliance with Application Criterion 6.C.6 of the Code.

With the exception of the Chairman of the Board of Statutory Auditors non-members did not participate at the Compensation Committee meetings held during the year.

### **Functions of the Compensation Committee**

In the application of Principle 6.P.4 of the Code, the Compensation Committee submits to the Board the proposals for the definition of the policy for the remuneration of executive directors, directors holding special positions and managers with strategic responsibilities.

In accordance with Application Criterion 6.C.5, of the Code, on November 11<sup>th</sup>, 2011 and ultimately on November 11<sup>th</sup>, 2015, the Board, inter alia, vested the Compensation Committee with the following responsibilities:

- a. advising the Board of Directors on the remuneration policy to be applied to executive directors, Board members invested with specific tasks and duties, and executives with strategic responsibilities;
- b. periodically assessing the appropriateness, overall coherence and concrete implementation of the remuneration policy, including on the basis of information gathered from company directors, officers and/or internal committees and bodies invested with delegated powers or responsibilities in such regard, in cases where the assessment focuses on the remuneration of executives with strategic responsibilities;
- c. advising the Board on the remuneration of executive directors and directors invested with specific tasks and duties, as well as – after hearing the company directors, officers and/or internal committees and bodies invested with delegated powers or responsibilities in such regard – on the

- proper identification and setting of appropriate performance targets that are to serve as the basis for determining the variable component of their remuneration;
- d. monitoring the implementation of Board decisions regarding remuneration, determining, *inter alia*, whether or not performance targets have actually been met, as well as, if required, the application of claw-back mechanisms;
  - e. providing shareholders with a full report of its operating procedures;
  - f. assisting the Board of Directors in drawing up and implementing compensation plans based on financial instruments;
  - g. making sundry recommendations to the Board of Directors on matters pertaining to remuneration;
  - h. availing, whenever it deems necessary or merely fit or useful for the discharge of its assigned tasks and duties, of outside consultants and experts on remuneration policy, it being understood not only that the said experts and consultants must be independent, and, accordingly, may in no event maintain any business or professional relationships whatsoever with, *inter alia*, Tod's S.p.A.'s human resources department, and/or any of Tod's S.p.A.'s controlling shareholders, directors or executives invested with strategic responsibilities, but also that the independence of any and all such outside consultants shall be duly verified, prior to their appointment, by the Compensation Committee.

During the Financial year, the Compensation Committee met four times and, *inter alia*, (i) considered whether the Managing Directors had achieved the performance targets set for the 2014 financial year, and (ii) the adequacy, the overall consistency and the actual application of the Issuer's compensation policy; (iii) proposed to the Board of Directors that it identify and define the annual performance targets to be assigned to the executive directors and directors delegated with special duties; as well as (iv) resolved to submit for approval by the Board of Directors the updated text of the *"Tod's S.p.A. Group Remuneration Policies and implementing procedures"*, proposing, among other things, to take action on both the ranges that are taken as a reference for establishing the variable remuneration of the delegated bodies compared to the fixed one, and on the structuring of components into annual variable remuneration ("Management by Objectives" or "MBO") and medium/long-term variable remuneration ("Long Term Incentive" or "LTI"). Minutes are prepared regularly for the Compensation Committee Meetings.

When executing its functions the Compensation Committee has the right to access the information and corporate functions necessary to fulfil its duties, as well as to avail itself of external consultants, subject to authorization by the Board of Directors.

It is hereby confirmed that the Board of Directors has not allocated an ad hoc budget available to the Compensation Committee, but when the Committee deems it is necessary or appropriate to avail itself of external consultants, the Company makes available to the Committee from time to time, the resources required for this purpose in order to execute its functions.

## **9. DIRECTORS' COMPENSATION**

### **General Remuneration Policy**

In accordance with applicable regulations and in compliance with Principle 6.P.4 of the Corporate Governance Code, the Board of Directors, acting on the recommendation of the Compensation Committee, adopted by resolution dated November 11<sup>th</sup>, 2011 and subsequently amended by resolution dated November 11<sup>th</sup>, 2015, the policy document *"Tod's S.p.A. Group's Remuneration Policies and implementing procedures"*.

The aforesaid policy document lays down the guidelines to be followed in terms of not only procedure and form (i.e. the internal corporate processes through which policy is defined and implemented) and also substance and content (the criteria on which policy is based) by all company directors, officers, committee

and bodies tasked with determining the remuneration of executive directors, Board members invested with specific tasks, and executives invested with strategic responsibilities, taking due account, inter alia, of the remuneration levels prevailing at other Group companies.

For further information on remuneration policies and procedures, see the first section of the Remuneration Report drawn up in accordance with Article 123-ter of the TUF, and disclosed to the public at least twenty-one days prior to the date of the subsequent Shareholders' Meeting, pursuant to applicable rules and regulations. The Remuneration Report – which is available for public consultation at the Company's registered offices, as well as on the Company's web site [www.todsgroup.com](http://www.todsgroup.com) and through the authorised storage device 1info at the address [www.1info.it](http://www.1info.it) – being deemed included herein by reference.

The aforesaid guidelines were drawn up on the basis of the following criteria:

- a. at the time remuneration is determined, the fixed component and short-term variable component (MBO) thereof must be appropriately balanced, taking due account of strategic goals, risk management policies and the nature and type of the Company's business;
- b. more specifically, the short-term variable component (MBO) of the remunerations of Directors, Officers, Committees and other corporate Bodies invested with delegated powers and responsibilities, must account for no less than 30% and no more than 200% of the fixed component, it being however understood that the aforesaid thresholds may be breached in the event the Board of Directors opts to set the fixed component at a level appreciably below the prevailing market benchmark, as well as every time particularly challenging performance targets are set out (acting in consultation with the Compensation Committee);
- c. the fixed component must be sufficient to remunerate the Directors for the efforts, even if nothing whatsoever is due to them by way of short-term variable remuneration in light of their failure to meet the performance targets set by the Board of Directors;
- d. the medium-long-term variable remuneration components (LTI) are set out – including by means of parameters that are larger than and/or different from those referred to above with regard to short-term variable components – by taking account of the following elements: (i) the functions and duties actually performed by the director or manager with strategic responsibilities within the Company; (ii) the ability to contribute to the Company's and Group's development; (iii) the amount of total fees received; and (iv) loyalty and retention requirements;
- e. performance targets, and that is to say, the economic results or other specific goals to be achieved in order to gain entitlement to the variable component of remuneration, must be pre-established, measurable and linked to the creation of value for shareholders in the medium term, in general, within no less than twelve months in the case of short-term variable remuneration components (MBO) or thirty months in the case of medium/long-term variable remuneration components (LTI);
- f. payment of amounts due by way of variable remuneration (MBO and/or LTI) may not be deferred, delayed or withheld beyond the applicable maturity dates, given that such deferrals, delays or withholdings may not be reasonably deemed to exert any appreciable impact on corporate risk management;
- g. claw-back mechanisms are envisaged, which allow the Company to demand the return, in whole or in part, of variable components (MBO and/or LTI) of the remuneration paid out if, within three years from the payment thereof, it is found that such remuneration has been obtained with fraudulent conduct or on the basis of data that are later found to be clearly incorrect;
- h. any and all corporate decisions to offer company directors incentives to resign or otherwise abstain from seeking re-appointment (e.g. in the form of a golden-handshake or non-compete consideration), or otherwise, enter into specific consultancy agreements with former company

directors, must not only be in line with the Tod's Group's medium-to-long term strategy, values and interests, but also, in any event, be based on the following guidelines:

- i) no incentive (apart from non-compete consideration) may be offered if the resignation is due to substandard performance;
- ii) the aforesaid consultancy agreements may not be entered into other than for fixed terms not exceeding the time period strictly required to ensure the on-going effective and efficient management of the Tod's S.p.A. Group;
- iii) as a general rule, and save in exceptional cases, the amount due to any Executive Director may not exceed the overall remuneration paid to the same for 24 consecutive months of uninterrupted service;
- iv) the Company will provide detailed information in a special press release issued to the market and in the manners set out from time to time in the current regulations, as to the allocation or payment of indemnities in the event of the removal from office and/or the termination of an employment relationship with an executive Director or a General Manager, in accordance with the principles laid down in the Corporate Governance Code.

In accordance with the provisions of Article 123-ter, paragraph 6, of the TUF, shareholder approval of the first section of the Remuneration Report, which sets forth the Company's Remuneration Policy and the procedures followed in determining and implementing the same, shall be sought by means of an advisory, non-binding ballot at the next Shareholders' Meeting, scheduled for April 20, 2016 on the first call.

#### **Share-based incentive plans**

As at the date of approval of this Report, the Board of Directors, with the support of the Compensation Committee, has resolved to put forward a proposal to the Shareholders' Meeting to be held on 20 April 2016 as to the adoption of a medium/long-term incentive plan based on financial instruments, which will be reserved for the CEO Stefano Sincini.

According to the Plan, the beneficiary will be granted 33,000 phantom stock options free of charge, which may be exercised (i.e. will give him the right to be paid a sum of money, the amount of which is set based on the increase in the value of the Tod's stock) at the end of the vesting period, which lasts from the date on which the virtual options are awarded to the end of the reference period, when the final price of Tod's shares will be determined (one month from the approval of the 2018 consolidated financial statements).

The proposed plan has been put forward to the Board of Directors, taking account of the overall remuneration level allocated to the beneficiary and, obviously, of the incentive target that the plan itself intends to attain in the medium/long-term.

The level of allocation of each phantom stock option (virtual strike price) is Euro 121.40, corresponding to share value at the end of the 2013 financial year, which has been considered the highest value recorded by the shares, as at the closing date of the financial year, in the last three years, while the reference final value will be the arithmetical mean of the official Tod's share prices in the month following the approval of the consolidated financial statements for the 2018 financial year (i.e. from the date of the approval of the consolidated financial statements for the 2018 financial year to the same date in the subsequent month, these dates being included).

For more information, reference should be made to the information document prepared pursuant to Article 84-bis of the Issuers' regulation, which is available on the Company's website and through the authorized storage device 1info.

### **Remuneration of executive directors**

It is deemed that the Directors' compensation is established at a level that is sufficient to attract, retain and motivate the Board Members with the professional qualities required to manage the Issuer successfully.

With reference to Criterion 6.P.2 of the Code, it is hereby confirmed that:

- as of the date of approval of this Report, a significant part of the compensation of the Chairman and Managing Director Diego Della Valle, the Vice Chairman and Managing Director Andrea Della Valle is linked to achieving the performance targets established by the Board of Directors on the proposal of the Compensation Committee, most recently, in the guidelines set forth in the Remuneration Policies and Procedures approved by the Company's Board of Directors;
- a significant part of the compensation of the Managing Director Stefano Sincini is linked to achieving the performance targets established by the Board of Directors on the proposal of the Compensation Committee, and are also in strict compliance with the guidelines set forth in the Remuneration Policies and Procedures approved by the Company's Board of Directors;
- Finally, a significant portion of the remuneration granted to Director Emilio Macellari, who has delegated responsibility for the financial and administrative management of the Company, respectively, is tied to their achieving specific targets that reflect the nature of his assigned functions and duties.

The remuneration of executive directors is addressed more exhaustively in the aforesaid Remuneration Report which is available for public consultation at the Company's registered offices, through the authorized storage device 1info at [www.1info.it](http://www.1info.it) and on the Company's web site [www.todsgroup.com](http://www.todsgroup.com), and must henceforth be herein included by reference.

Pursuant to the Company's remuneration policies:

- in due compliance with the principle of sound risk management, the variable components of the remuneration of delegated bodies primarily in charge of driving corporate growth and expansion, must, as a general rule, be linked to the TOD'S Group's overall performance as reflected in its income statement, balance sheet and cash-flow statement (since the Board of Directors may, by way of mere example and without limitation, set performance targets in terms of: (i) EBITDA; (ii) Turnover; (iii) Net cash flow; (iv) Defaults; (v) Inventory levels, or any combination thereof);
- the short-term variable remuneration (MBO) of delegated bodies invested with administrative and supervisory tasks and duties, must, as a general rule, be linked to specific targets that take due account of the nature of the tasks and duties in question in each case, even though the said targets may, naturally, also be based, also in part, on the TOD'S Group's performance as reflected in its income statement, balance sheet and cash-flow statement;
- medium/long-term variable components (LTI) may be linked to both the achievement of predetermined performance targets in terms of financial position, results of operations and cash flows of the TOD'S Group as a whole in the medium/long-term and an increase in the Tod's share price on the stock exchange, as well as to different, predetermined specific objectives (e.g. the achievement of a specific strategic result) and – with a view to loyalty and retention – to a certain length of service with the Company;
- in exceptional cases and on a non-recurring-basis, it will be possible to also allocate – including at a later time - bonuses and one-off payments, on a discretionary basis, to delegated bodies and managers with strategic responsibilities, in relation to the attainment or the methods of attainment of specific objectives (other than those set out for the payment of variable remuneration components), which are attained through extraordinary individual contributions. The decision to pay bonuses and one-off payments both to Delegated Bodies and Managers with strategic responsibilities is the responsibility of the Board of Directors, which may pass resolutions on the proposal of the Compensation Committee and having heard

the Board of Statutory Auditors in accordance with the current regulations. The Compensation Committee is responsible for establishing whether the requirements are met for the payment, in exceptional cases and on a non-recurring-basis, of bonuses and one-off payments to delegated bodies and managers with strategic responsibilities and the related proposal must be approved unanimously.

#### **Remuneration of executives with strategic responsibilities**

Pursuant to the Company's remuneration policies, the emoluments due to executives with strategic responsibilities must be determined on the basis of the criteria applicable to the remuneration of executive directors, and that is to say, with a view to aligning their interests with the priority objective of creating value for shareholders. More specifically: *(i)* the fixed and short-term variable components of their remuneration must be appropriately balanced; and *(ii)* incentive mechanisms, in both short- and medium/long term, must be in line with their assigned tasks and duties and must accordingly be subjected to the achievement of specific targets that take due account of their assigned tasks and duties, but may, also, in part, be subjected to the attainment to business development targets and therefore to the Group's performance as reflected in its income statement, balance sheet and cash-flow statement.

The medium/long-term variable components (LTI) may be also linked to the trend in the Tod's share price, or – with a view to loyalty and retention – to a certain length of service with the Company, or to different objectives; *(iii)* claw-back mechanisms are envisaged, which allow the Company to demand the return, in whole or in part, of variable components of the remuneration paid out if, within three years from the payment thereof, it is found that such remuneration has been obtained with fraudulent conduct or on the basis of data that are later found to be clearly incorrect; *(iv)* in exceptional cases and on a non-recurring-basis, the Board of Directors, on the proposal of the Compensation Committee and having heard the Board of Statutory Auditors, may also allocate – including at a later time - bonuses and one-off payments, on a discretionary basis, to Managers with strategic responsibilities, in relation to the attainment or the methods of attainment of specific objectives (other than those set out for the payment of variable remuneration components), which are attained through extraordinary individual contributions.

The annual variable component of the remuneration of executives with strategic responsibilities, may amount to no less than 10% and no more than 40% of the fixed component.

#### **Incentive mechanisms for the head of the internal audit function and the executive in charge of drawing up the Company's accounting documents**

The Company's remuneration policies impose no specific requirements in respect of the remuneration of the executive in charge of drawing up the Company's accounting documents or of the head of the internal audit function (in their specific capacities as such); the said policies specifically establish that: *(i)* the remuneration of employees must always be determined by the company directors, officers, committees or bodies invested with delegated powers and responsibilities for such purpose, and/or the corporate structure in question, in compliance with the Company's values, mid-to-long term strategies and sound risk management policies; *(ii)* any and all incentive mechanisms targeted at the executive in charge of drawing up the Company's accounting documents, in the latter's capacity as a "strategic executive", must duly reflect the tasks assigned to him or her, and accordingly be based on individual targets assigned in light of the nature of tasks and duties in question. Moreover, as already pointed out, the remuneration of the executive in charge of drawing up the Company's accounting documents, in the latter's capacity as a "strategic executive", must also be determined with a view to striking an appropriate balance between the fixed and variable components thereof, in light of, inter alia, the Company's risk management policy: as a general rule the annual variable component must fall within the range of 10% and 40% of the fixed component.

### **Remuneration of non-executive directors**

In compliance with Application Criterion 6.C.4 of the Code, the compensation paid to non-executive Directors is related to the commitment requested from each Director, also taking into account their participation in Committees and is not linked to the Company's economic results.

Where necessary, in the Company's interest, the Board of Directors may, by resolution supported by a statement of grounds and passed at the motion of the Compensation Committee, decide to assign non-executive directors remuneration comprising a certain, albeit not significant, variable component linked to the Company's economic performance.

Moreover, the non-executive Directors are not involved in stock option incentive plans.

### **Severance indemnity due to directors in the event of loss of office following a takeover bid (pursuant to Art. 123-bis, paragraph 1, letter i), TUF)**

Pursuant to Art. 123-bis, par. 1, letter i), of TUF, it is hereby expressly stated that as of the date of approval of this Report:

- a) there are no agreements in place between the Group and any Directors, which envisage the payment of indemnities to Directors in the event of resignation, dismissal without just cause or termination of the employment relationship following a public purchase offer;
- b) there are no agreements providing the assignation or maintenance of non-monetary benefits in favour of members who have terminated their office (so called "*post-retirement perks*"), or agreements ad hoc for the provision of advice for a period following the termination of the employment relationship.
- c) there are no agreements which envisage compensation for non-competition undertakings.

For further information on this matter, see the Remuneration Report, available at the Company's registered offices, as well as on the Company's web site [www.todsgroup.com](http://www.todsgroup.com) and through the authorised storage device 1info at the address [www.1info.it](http://www.1info.it).

## **10. CONTROL AND RISK COMMITTEE**

In accordance with Principles 7.P.3 sub-section a), no. (ii), and 7.P.4 of the Code, Tod's S.p.A.'s Board of Directors has set up an internal Control and Risk Committee.

### **Composition and functioning of the Control and Risk Committee**

After verifying that its directors without executive authority and independent directors satisfied the pre-requisites for being considered such in accordance with both the law and Article 3 of the Code, the Board of Directors resolved at the aforementioned Framework Resolution of April 22<sup>nd</sup>, 2015, to constitute the Control and Risk Committee. Its members are the following directors without executive authority, a majority of whom are independent: Luigi Cambri (Chairman), Maurizio Boscarato and Romina Guglielmetti.

During the Financial year, the Control and Risk Committee met six times and for the current financial year five meetings have been scheduled (two of which have been already held). Usually the Committee meetings last for approximately one hour.

The meetings are coordinated by the Chairman, Mr. Cambri, and were regularly and assiduously attended by the directors (the overall percentage rate of attendance was 88.9%, while the percentage rate of attendance by each Committee Member at the held meetings is indicated in the Table no. 2 attached hereto as an appendix).

With regard to Criterion 7.P.4 of the Code, note is made that during the financial year, three non-executive Directors, the majority of whom independent, sat on the Control and Risk Committee. Independent Director Luigi Cambri was appointed as Chairman of the Committee. The professional experience of the members of the Committee ensures that the Committee disposes of adequate knowledge about accounting, financial and risk management matters and has been deemed adequate by the Board of Directors at the time of appointment.

Invited by the Committee and in relation to specific topics time by time in agenda, non-members have been attending the meetings of the Committee held during the financial year.

#### **Responsibilities of the Control and Risk Committee**

In compliance with Article 7 of the Corporate Governance Code, the Board of Directors assigned the Control and Risk Committee the following advisory and recommendatory functions, in accordance with the Application Criterion 7.C.2 set out in the Corporate Governance Code:

- a) give the Board of Directors prior opinions in the cases envisaged in Application Criterion 7.C.1 of the Code. In application of the aforementioned Application Criterion 7.C.1 of the Code, any decisions concerning the appointment, dismissal, remuneration and provision of resources for the Head of the Internal Audit Function require, inter alia, the favourable opinion of the Committee;
- b) in collaboration with the Chief Accounting Officer and the auditors, and after consulting with the independent auditors and the Board of Statutory Auditors, assess proper use of accounting standards and their uniformity during preparation of the consolidated financial statements;
- c) express opinions on specific aspects relevant to identifying the principal risks faced by the Company;
- d) examine the periodic reports assessing the Internal Control and Risk Management System, and those of special relevance prepared by the Internal Audit Function;
- e) monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Function *audit*;
- f) if appropriate, exercise the right to ask the Internal Audit Function to audit specific operating areas, while simultaneously notifying the Chairman of the Board of Statutory Auditors;
- g) report to the Board of Directors on their activity and the adequacy of the Internal Control and Risk Management System at least once every six months, normally when the Board of Directors meetings are held to approve the annual and half year reports.

At last, it should be noted that the Control and Risk Committee has been charged with the relevant functions and responsibilities which the Related Parties Regulation and the Procedure on Related Parties Transactions vest in a committee composed of non-executive Directors, in majority independent with reference to related parties transactions of a minor importance.

The Chairman of the Internal Control Committee illustrated the details to the Directors regarding the activities performed by the Committee with reference to the Financial year, and in particular, the Chairman illustrated to the collective administrative body the Committee's assessments of the adequacy and effectiveness of the Internal Control and Risk Management System at the date of the Board Meeting to approve the half-yearly financial Report as at June 30<sup>th</sup>, 2014, as well as at the date of the Board Meeting to approve the Annual Financial Report as at December 31<sup>st</sup>, 2015.

The Meetings of the Committee held during the financial year were attended by the Chairman of the Board of Statutory Auditors (or by another Auditor duly appointed by the Chairman) and, based on the Committee's invitation and in relation to specific items on the Agenda, by the standing auditors of the Board of Statutory Auditors, by the Head of the Internal Audit Function, by the Director appointed to the



Internal Control and Risk Management System operations and by the Director in charge of drawing up the corporate accounting documents, as well as by the members of the Supervisory Body.

Minutes were drawn up regularly for the Meetings of the Control and Risk Committee.

When executing its functions the Committee has the right to access the corporate information and functions required to perform its duties, as well as to avail itself of external consultants, subject to being authorized by the Board of Directors.

It is hereby confirmed that the Board of Directors has not allocated an ad hoc budget available to the Control and Risk Committee, but when the Committee deems it necessary or appropriate to avail itself of external consultants, the Company makes available to the Committee, from time to time, the resources required to perform its functions.

## **11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM**

In reference to Application Criterion 7.C.1 letter a) of the Code, the Board of Directors has defined its own Guidelines for the Internal Control and Risk Management System (hereinafter, the “Guidelines”), so that the principal risks affecting the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, while also determining the degree of compatibility of these risks with corporate management consistent with the Company’s defined strategic objectives.

Following the adoption by the Company of the Corporate Governance Code principles pursuant to the Framework Resolution adopted on April 22<sup>nd</sup>, 2015 and after obtaining the favourable opinion of the Control and Risk Committee, the Board of Directors decided at its May 10<sup>th</sup>, 2012 meeting to amend the Guidelines. In particular, it modified the duties assigned to the various internal control bodies of the Company.

The full updated text of the Guidelines is published in the Corporate Governance section at the following web site: [www.todsgroup.com](http://www.todsgroup.com).

### **11.1 Existing risk management and internal control systems in relation to the financial information process, also consolidated financial information, where applicable, pursuant to Art. 123-bis, paragraph 2, letter b), TUF**

#### Introduction

It is hereby confirmed that the TOD’S Group management and control system relating to the risks concerning the financial information process forms an integral part of and is included in the framework of the broader Company and Group internal control system, in accordance with the instructions included in the Format distributed by Borsa Italiana S.p.A.; the following elements represent important features of the foregoing system: the Code of Ethics, the organisation, management and control Model, in accordance with Legislative Decree No. 231/01, the communication Procedures concerning the Company’s shares (so-called “*Internal Dealing Procedure*”) and the procedures to identify the persons who have access to privileged information (so-called “*Insider Dealing Procedure*”), the Principles and procedures to execute significant transactions and the Procedure on Related Parties Transactions, the powers and proxies System, the corporate Organisation Chart, the Procedure to disclose information to the Market, the Risk Analysis process adopted, the Accounting and Administrative control System.

The internal control system concerning financial information is represented by a set of activities designed to identify and assess actions and/or events which may compromise the credibility, accuracy, reliability and timely aspect of the financial information, if they occur.

The internal control system concerning the process to prepare the financial information adopted by the Company is designed to ensure that the administrative and accounting procedures prepared assure the

reasonable credibility of the financial information and the organization's ability to produce timely and reliable accounting and financial information, in compliance with the reference accounting standards. The structured approach adopted to establish the control model refers to international standards and to best practices of the sector, as well as to the Guidelines of the various reference bodies/associations (Andaf, Confindustria, etc.).

a) Description of the principal characteristics of the existing risk management and internal control system in relation to the financial information process

The basic aspect of the control system relating to the financial information processes is represented by a risk assessment activity designed to identify and assess the risk areas where events could occur which may compromise achieving reliable financial information.

The Group member companies and the principal corporate processes which contribute to forming the income statement and the balance sheet of the foregoing companies have been identified via the foregoing activity based on a quantitative analysis (numerical importance of each company) and a qualitative analysis (specific, potential or prior risk associated with the business activities engaged in), thereby defining a matrix of corporate processes/legal entities to be checked, based on the identification and assessment of the existing control system in relation to the typical risks which relate to the preparation of the financial information to be disclosed externally.

All the companies identified as being “significant” are subject to a specific analysis and assessment of the internal control system that governs the preparation of the Financial Statements, in terms of layout and operations.

The tangible items reported in the Financial Statements and the related corporate processes which contribute to their formation are selected in the framework of the “significant companies” identified in order to determine the controls which are able to meet the objectives of the internal control system concerning the financial information

b) Role and functions involved.

The management and control System concerning financial information is managed by the Executive Director in charge of preparing the accounting corporate documents duly appointed by the Board of Directors in compliance with the applicable statutory provisions.

While performing his activities, the Executive Director in charge:

- interacts with the Head of the Internal Audit Function, who has the prerogative of conducting independent audits of the reliability of the information systems, including the accounting systems;
- is supported by the Function Managers involved that assure the completeness and reliability of the information flows sent to the Executive Director in charge, with reference to their own area of jurisdiction, for the purposes of preparing the accounting information;
- coordinates the activities performed by the Administrative Managers of the significant subsidiary companies;
- establishes a mutual exchange of information with the Control and Risk Committee and with the Board of Directors, reporting on the activities performed and the adequacy of the Internal Control and risk Management System, with particular reference to the risks related to financial information.

The Executive Director in charge of preparing the accounting and corporate documents duly informs the Board of Statutory Auditors concerning the adequacy, also the organisational adequacy and the reliability of the administrative and accounting system.

Monitoring both the actual application of the risk management System relating to financial information, and its periodic assessment, were performed on an on-going basis throughout the financial year with the

coordination by the Executive Director in charge who is directly responsible for verifying the correct and timely execution of the management activities in the administrative, accounting and financial activities performed by the Group member companies.

No risks or situations which were not already monitored by the Company emerged from all the checks mentioned.

The Executive Director in charge of preparing the corporate accounting documents, together with the Managing Director provide the attestation envisaged in Article 154-bis, paragraph 5 of the Consolidated Law on Finance (TUF).

In the implementation of Application Criterion 7.C.1, letter c) of the Code, the Board has approved, on an annual basis, the work plan prepared by the manager responsible for the internal audit function, having heard the Board of Statutory Auditors and the Director in charge of the internal control and risk management system.

In execution of Application Criterion 7.C.1, letter b) of the Code, the Board of Directors positively assessed the adequacy of the Internal Control and Risk Management System according to the characteristics of the business and its assumed risk profile and its effectiveness at the meetings held to approve the Half Year Financial Report at June 30<sup>th</sup>, 2015 and the consolidated earnings figures for the Group in the 2015 financial year (Board of Directors meeting held on January 21<sup>st</sup>, 2016); in particular, the assessment was adopted on the basis of the report prepared by the Director appointed to the Internal Control and Risk Management System and with the Control and Risk Committee's support that, in the framework of its own Meetings – which were also attended by the Head of the Internal Audit Function (as described later) – was able to verify the actual functioning of both the Issuer's and the Group's Internal Control and Risk Management System on an on-going basis, with particular reference to the companies of strategic importance.

Lastly, in the Meeting held on 14<sup>th</sup> March 2016, the Board of Directors, with the support of the Control and Risk Committee, expressed a positive assessment concerning the status of the Internal Control and Risk Management System, deeming the system to be adequate in overall terms, efficient and effectively functioning.

#### **11.2 Executive Director in charge of the Internal Control and Risk Management System**

The Board of Directors, with the aforementioned Framework Resolution of April 22<sup>nd</sup>, 2015, has appointed, *inter alia*, the Board Member Stefano Sincini to the position of Director appointed to the Internal Control and Risk Management System. The above-mentioned Board Member is responsible for the following duties:

- a) identify the principal risks confronted by the Company, considering the nature of the activities operated by the Issuer and its subsidiaries, focusing in particular on its strategic companies, and submitting them for examination by the Board of Directors at least once annually, and normally at the Board of Directors meeting held to approve the annual report;
- b) execute the Guidelines, handling the design, creation and management of the Internal Control and Risk Management System and constantly reviewing its adequacy and effectiveness;
- c) at least once annually, normally when the annual report is approved – as well as whenever it is deemed necessary or appropriate, according to the circumstances, as in the case where new material risks arise or there are material increases in the possibilities of risk – submit the corporate risks and all the control processes implemented and planned to prevent them, reduce them, and effectively and efficiently manage them for examination and review by the Board of Directors, so that the Board of Directors may take informed and conscious decisions on the strategies and policies adopted to manage the principal risks of

the Issuer and the Tod's Group, with special attention being dedicated to the companies having strategic importance;

d) propose to the Board of Directors, and inform the Control and Risk Committee thereof, the nomination, revocation and remuneration of the Head of the Internal Audit Function and assure the independence and operating autonomy of each head of operating units, verifying that they have adequate resources to discharge their assigned duties;

e) submit to the Board of Directors the annual work plan prepared by the Head of the Internal Audit Function, after obtaining the opinion of the Control and Risk Committee;

f) adapt the Internal Control and Risk Management System according to changes in operating conditions and the legislative and regulatory framework;

g) if appropriate, ask the Internal Audit Function to conduct audits of specific operating areas and compliance with internal rules and procedures in the performance of corporate operations, while simultaneously notifying the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors thereof, and if appropriate according to the events being examined, the Chairman of the Board of Directors as well;

h) promptly report to the Control and Risk Committee (or the Board of Directors) on problems and criticalities arising during the course of their own activities or about which they have been informed, so that the Committee (or Board of Directors) may take the appropriate measures.

The Director appointed to manage the Internal Control and Risk Management System identified the principal corporate risks (strategic, operational, financial and compliance) during the financial year, taking into account the characteristics of the activities engaged in by the Company and by its subsidiaries, and submitted the details to be examined by the Board, as well as by the Control and Risk Committee, in compliance with Application Criterion 7.C.4, sub-section a) of the Code; lastly, at the Meeting held on 21<sup>st</sup> January 2016 he illustrated to the Board of Directors his assessment concerning the identification of corporate risks (so-called risk assessment), submitting to the Board the relevant risk management policy.

In accordance with Application Criterion 7.C.4, letter b) of the Code, the delegated Director executed the Guidelines during the year, constantly checking the overall adequacy, effectiveness and efficiency of the Internal Control and Risk Management System, and adapting this system to changes in operating conditions and the legislative and regulatory framework.

On August 7<sup>th</sup>, 2013, the Board of Directors updated the Organisational, Management and Control Model adopted by the Company pursuant to Legislative Decree no. 231/01, in light of regulatory reforms introduced by Legislative Decree no. 109 of July 16<sup>th</sup>, 2012, Law no. 172 of October 1<sup>st</sup>, 2012, Law no. 190 of November 6<sup>th</sup>, 2012, and the consequent addition of criminal offences involving the employment of illegally staying third-country nationals, improper inducements to giving or promising gain and corruption between private persons to those falling within the scope of Legislative Decree no. 231/01.

Lastly, the Board was also given information during the Board Meeting held on 14<sup>th</sup> March 2016 concerning the adequacy of the Internal Control and Risk Management System in relation to the applicable provisions, also referred to the regulatory provisions.

In accordance with Application Criterion 7.C.4, letter d), the Delegated Director may require the internal audit function to carry out checks on specific operational areas and on the compliance with internal rules and procedures in the performance of corporate activities, giving notice thereof to the Chairman of the

Control and Risk Committee and to the Chairman of the Board of Statutory Auditors, as well as to the Chairman of the Board of Directors, where applicable, with reference to the events being reviewed.

The Delegated Director must also report promptly to the Control and Risk Committee (or to the Board of Directors) about any problems and criticalities detected in the performance of his tasks or of which he has, in any case, become aware, in order for the Committee (or the Board) to take appropriate actions.

### **11.3 Head of Internal Audit**

In accordance with Criterion 7.P.3. letter b) of the Corporate Governance Code, the Board of Directors appointed the Head of the Internal Audit Function at its meeting on April 22<sup>nd</sup>, 2015. This individual is delegated to assure that the Internal Control and Risk Management System is functioning and adequate.

At the approval date of this Report, the Head of the Internal Audit Function is Mr. Pierluigi Tassotti. He was appointed by the Board of Directors on recommendation by the Director Responsible for the Internal Control and Risk Management System, Stefano Sincini, after obtaining the favourable opinion of the Control and Risk Committee and the advice of the Board of Statutory Auditors.

Pursuant to Application Criterion 7.C.1, part two, of the Code, the Board of Directors, with the help of the Director Responsible for the Internal Control and Risk Management System, of the Control and Risk Committee and of the Board of Statutory Auditors, has found that Mr. Tassotti's present remuneration is fair and that it has been set consistently with Company policies.

Pursuant to Application Criterion 7.C.5 letter b) of the Code, note is made that in regard to the organisational structure and organisational chart of the Company, the Head of the Internal Audit Function is not responsible for any operating unit, reports on an operating basis to the Board of Directors and the Control and Risk Committee, and reports hierarchically to the Director Responsible for the Internal Control and Risk Management System.

The Head of the Internal Audit Function is assigned the duties indicated in Article 6 of the Guidelines. In particular, he:

- a) drafts his annual work plan based on a structure process of analysis and prioritization of principal risks (the "Audit Plan") and illustrates it to the Director Responsible for the Internal Control and Risk Management System, the Control and Risk Committee, the Board of Statutory Auditors and the Board of Directors early enough so that they may effectively discharge their own duties and, in particular, to make any suggestions that they deem appropriate;
- b) assists the Director Responsible for the Internal Control and Risk Management System in handling the design, management and monitoring of the Internal Control and Risk Management System and identifying the various risk factors;
- c) on the basis of the annual work plan, plans and executes direct and specific audits at the Issuer and at all other Group companies, particularly those having strategic importance, in order to detect any faults in the Internal Control and Risk Management System according to the various areas of risk;
- d) audits the functionality and fitness of the Internal Control and Risk Management System on a continuous basis and according to specific requirements and in compliance with international standards;
- e) on the basis of the audit plan, checks the reliability of the information systems that are part of the accounting system;
- f) verifies compliance with the control process rules and procedures and that all parties involved operate in accordance with their assigned objectives. In particular:
  - he checks the reliability of information flows, including the automatic data processing systems and accounting systems;

- on the basis of the work plan, he verifies that the procedures adopted by the Issuer and the Group guarantee compliance with applicable statutory and regulatory provisions;
- g) also conducts audits on specific issues, as he deems appropriate or on request by the Board of Directors, the Control and Risk Committee, the Director Responsible for the Internal Control and Risk Management System or the Board of Statutory Auditors;
- h) using the means and procedures that he deems most appropriate, ascertains that detected operating and functional anomalies of controls have been eliminated;
- i) maintains organized records of all his activities; this documentation shall be provided on request to the persons in charge of control processes;
- l) prepares periodic reports containing adequate information about his activity, the procedures according to which risks are managed, and compliance with drafted risk containment plans. The periodic reports contain an assessment of the fitness of the Internal Control and Risk Management System. Moreover, on the basis of the control results and the analysis of corporate risks, he also identifies any faults in the Internal Control and Risk Management System and recommends any remedies to be implemented on the System itself. The identified faults and recommended remedies are reported in the Internal Audit Reports;
- m) prepares prompt reports on particularly significant events;
- n) transmits the reports listed at items l) and m) to the Director Responsible for the Internal Control and Risk Management System, the Chairmen of the Board of Statutory Auditors, the Control and Risk Committee and, as applicable according to the events in question, the Chairman of the Board of Directors and the Compliance Program Supervisory Body; if the audits cover Group companies, the reports are also sent to the delegated bodies of the affected companies. The Control and Risk Committee is responsible for transmitting the reports to the other members of the Board of Directors according to the items listed on the meeting agenda; the Board of Statutory Auditors reviews these documents at the meetings of the Control and Risk Committee;
- o) at least twice a year, and early enough for the Control and Risk Committee, Board of Directors, and the Director Responsible for the Internal Control and Risk Management System to perform his duties on occasion of Board of Directors meetings held to approve the annual report and the half year report, drafts a semi-annual summary of the principal problems revealed during the six-month period in question and throughout the year. The annual report prepared for the meeting held to approve the annual report also contains an update on the monitored corporate risks that were detected during the year;
- p) in the event of criticalities demanding urgent action, he immediately notifies the Director Responsible for the Internal Control and Risk Management System and the delegated bodies, and also the Chairmen of the Control and Risk Committee, the Board of Statutory Auditors, and, if appropriate, the Chairman of the Board of Directors, to update them on the results of his activities.

During the Financial year, the Head of the Internal Audit Function, in consultation with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System audited the functioning and fitness of the Internal Control and Risk Management System in accordance with the Annual Audit Plan for the period, which he had prepared and which had been approved by the Board of Directors on January 22<sup>nd</sup>, 2015.

During the Financial year, the Head of the Internal Audit Function had access to all information as necessary to fulfil his mandate, and he prepared periodic reports containing adequate information on his activity, the procedures adopted to manage risk and compliance with the plans drafted to contain them, an assessment of the fitness of the Internal Control and Risk Management System, and reports on particularly significant events. He sent them to the Chairmen of the Board of Statutory Auditors, the Control and Risk

Committee and the Board of Directors, as well as the delegated Director, in compliance with Application Criterion 7.C.5, letter f) of the Code.

The findings reported by the Head of the Internal Audit Function in his own reports found no particular criticalities or anomalies in the various corporate areas affected by the monitoring activities. They pointed out that all the parties involved complied with the rules and procedures, except for minor exceptions that were all managed in the course of ordinary audits, monitoring and management of risks, as well as their reasonable satisfaction of set objectives. On the basis of, inter alia, the information provided in the reports by the Head of the Internal Audit Function, the Board of Directors meeting held on March 14<sup>th</sup>, 2016 issued its own positive and favourable opinion on the adequacy and effectiveness of the Internal Control and Risk Management System adopted by the Group.

As envisaged in the Audit Plan, the Head of the Internal Audit Function also audited the reliability of the information systems, including the accounting systems.

In regard to Application Criterion 7.C.5 letter a) of the Code, the Board of Directors meeting held on January 21<sup>st</sup>, 2016 approved the Audit Plan 2016 prepared by the Internal Audit Function on the basis of a structured process of analysis and prioritization of principal risks.

The Board of Directors has not allocated an ad hoc budget available to the Head of the Internal Audit Function. Instead, the Company periodically provides him with the resources that he needs to perform his functions.

In accordance with Application Criterion 7.C.6 of the Code, it is hereby confirmed that the internal audit function support is not outsourced to parties outside the Company, not even partially, and it is therefore implemented within the business.

#### **11.4 Compliance Program pursuant to Legislative Decree no. 231/2001**

In order to ensure maximum fairness and transparency in the management of its affairs and business activities, including protection of its image and reputation, the Board of Directors meeting held on January 30<sup>th</sup>, 2009 amended the Company compliance program pursuant to Legislative Decree 231 of June 8<sup>th</sup>, 2001.

Upon audit of the conformity and effectiveness of its internal control system in reference to the provisions of the aforementioned decree, the Company also decided to draft a Code of Ethics that sets out the values and principles (of transparency, fairness, fidelity and compliance) that have always characterised the Company's activities, its relations with employees, independent contractors, customers, suppliers, shareholders and public authorities, and generally everyone with whom business relations are maintained.

Offences which when perpetrated give rise to the entity's administrative liability and which the Compliance Program aims to prevent correspond to the offences envisaged in Legislative Decree no. 231/2001, as finally amended and supplemented by Legislative Decree no. 109 of July 16<sup>th</sup>, 2012, Law no. 172 of October 1<sup>st</sup>, 2012 and Law no. 190 of November 6<sup>th</sup>, 2012.

In particular, by adopting the Compliance Program, Tod's S.p.A. intends to pursue the following objectives:

- fostering awareness in the recipients of the Compliance Program that breaching the provisions contained therein by committing offences can attract criminal penalties which may be imposed on them, as well as the administrative penalties which may be imposed directly on the Company;

- confirming that such forms of unlawful conduct are condemned strongly by Tod's S.p.A., since such conduct (even in the case where the Company may be apparently in a position to benefit), in addition to being contrary to the provisions of law, are however, also contrary to the ethical principles with which the Company intends to comply when engaging in its corporate business;
- allowing the Company to intervene promptly to prevent or hinder the offences concerned from being committed, thanks to a monitoring activity of the business areas subject to risk.

The provisions of the Compliance Program are binding on the Directors, and on everyone who has been conferred with Company representative, administration and management functions, also *de facto* functions, on employees and on external consultants subject to the Company's corporate management or supervision.

The Board of Directors finally updated the Legislative Decree 231 Compliance Program on August 7<sup>th</sup>, 2013 to take due account of the provisions of Legislative Decree no. 109 of July 16<sup>th</sup>, 2012, as well as Law no. 172 of October 1<sup>st</sup>, 2012 and Law no. 190 of November 6<sup>th</sup>, 2012 which, as is generally known, made additions of criminal offences involving the employment of illegally staying third-country nationals, improper inducements to giving or promising gain and corruption between private persons to those falling within the scope of Legislative Decree no. 231/01 (so-called "environmental offences")

A special Supervisory Body that has complete economic autonomy oversees the functional operation and compliance with the Model. The Supervisory Body was appointed by the Board of Directors in the Meeting held on April 22<sup>nd</sup>, 2015, and comprises the following persons: Independent Board Member Luigi Cambri (Chairman), the member of the Board of Statutory Auditors, Enrico Colombo and Mr. Pierluigi Tassotti.

This structure assures the full autonomy and independence of the body concerned, as well as the presence of the various professional skills and expertise which concur to controlling the corporate management.

It is hereby confirmed that the subsidiary companies having strategic importance, namely, Tod's France Sas, Tod's Japan KK, Deva Inc., Tod's Hong Kong Ltd., Tod's (Shanghai) Trading Co. Ltd. and, finally, Tod's Korea Inc., subject to their respective national laws, do not have an organisational Model, in accordance with Italian legislation.

#### **11.5 Independent auditor**

The company retained to audit TOD'S S.p.A. and its other subsidiaries is PricewaterhouseCoopers S.p.A., pursuant to the resolution of the Ordinary Shareholders' Meeting of April 19<sup>th</sup>, 2012.

Its mandate will expire upon approval of the annual report at December 31<sup>st</sup>, 2020.

#### **11.6 Officer in Charge of Preparing Company Accounts**

The Officer in Charge of Preparing Company Accounts is Mr. Rodolfo Ubaldi, the Group's Administrative and Financial Officer, and the Deputy General Manager.

Pursuant to Article 28 bis of the Articles of Association, the Executive must be chosen by the Board of Directors, after the Board of Statutory Auditors has issued its opinion, from the pool of executives who have held management positions for at least three years in the accounting or administrative departments of a listed company or a company whose share capital is not less than 1 million euros.

The Board of Directors has granted Mr. Ubaldi ample authority as necessary to perform his duties under the law and the Articles of Association, without any specific spending limits other than what is reasonably necessary to discharge his duties. Furthermore, Mr. Ubaldi was given a mandate so that, in collaboration with the Managing Director, Mr. Sincini, he also gives instructions to the subsidiaries belonging to the Tod's Group, for adopting all those measures, administrative and accounting



procedures, all other acts and measures necessary for proper preparation of the consolidated financial statements, and all measures communicated by Mr. Ubaldi pursuant to the TUF, as amended by Law 262/05 and by Legislative Decree 303/06 that can assure the maximum reliability of information flows addressed to the Executive in Charge of Preparing Company Accounts in connection with preparation of corporate accounting documents.

#### **11.7 Coordination of persons involved in the Internal Control and Risk Management System**

In accordance with Criterion 7.P.3 of the Corporate Governance Code, and in accordance with the best practice of listed companies, the Company has established procedures of coordinating the various bodies involved in the Internal Control and Risk Management System.

In particular, periodic joint meetings are to be held by the various bodies delegated responsibility for internal control and risk management (Control and Risk Committee, Board of Statutory Auditors, Compliance Program Supervisory Body, Internal Audit Function and the Director in charge) in order to identify, beginning with the Company processes identified in the Audit Plan prepared by the Head of the Internal Audit Function, the assigned areas for action and analysis by each body, and identify the different perspective taken by each one of them in regard to the same issues, in the light of the different duties assigned to it by the Code (and, in detail, the Control and Risk Committee has the function of supporting the Board of Directors in reaching its decisions and completing its appraisals of the internal control and risk management system, the Board of Statutory Auditors has the function of supervising the adequacy of the internal control and risk management system and the Supervisory Body has the function of supervising the operation, effectiveness and compliance with the Organisational, Management and Control Model drawn up pursuant to Legislative Decree no. 231/01.

As previously discussed in detail, it is also envisaged that: (i) at least the Chairman of the Board of Statutory Auditors or another Statutory Auditor designated by him attend the Control and Risk Committee meetings, without prejudice to the possibility that other Statutory Auditors participate at these meetings; (ii) the reports by the Head of the Internal Audit Function must be sent, normally at the same time, to the Director Responsible for the Internal Control and Risk Management System, the Chairmen of the Board of Statutory Auditors, of the Control and Risk Committee and, if appropriate according to the events examined, the Chairman of the Board of Directors, as well as to the Compliance Program Supervisory Body and, if the audits concern other Group companies, the delegated bodies of the affected companies; (iii) at least once annually, the independent auditors shall meet jointly with the Control and Risk Committee, the Board of Statutory Auditors and the Manager responsible for the drawing up of the financial reports in view of, inter alia, assessing the proper use of accounting standards and principles and their uniform application during preparation of the consolidated financial statements.

#### **12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

As stated before, the Board of Directors, in compliance with the Related Parties Regulation and after obtaining the opinion, stating the favourable reasons, of a Committee established *ad hoc* and composed solely of Independent Directors, resolved in the meeting held on November 11<sup>th</sup>, 2010 on the internal procedure implementing the legislation concerning the decision process with regard to transactions with related parties of the Company and of the Tod's Group i.e. the "*Procedure on transactions with related parties of Tod's S.p.A.*" (also referred to as the "*Procedure on Related Parties Transactions*"), the full text being available in the Section *Corporate Governance/ Procedures and Guidelines* of the web site [www.todsgroup.com](http://www.todsgroup.com), and which has entered into force on January 1<sup>st</sup>, 2011.

This Procedure identifies the transactions with related parties, concluded by the Company and/or its subsidiaries, and regulates the execution of the said transactions in order to guarantee their material

and procedural accuracy, in compliance with the provisions of the law and regulations in force and with the principles established by the Corporate Governance Code.

The Procedure on Related Parties Transactions, in compliance with the provisions of the law and regulations in force, distinguishes transactions with related parties between those of a lesser and those of a greater importance, identifying the transactions of greater importance in compliance with the thresholds set out by Annex 3 of the Related Parties Regulation, and responsibility for which lies solely with the Board of Directors.

The Procedure on Related Parties Transactions provides for two different procedures for the investigation and approval of related parties transactions, depending on their (either greater or lesser) relevance (i.e. a “*general*” procedure for all the transactions with related parties of lesser importance, and a “*special*” procedure for those transactions which exceed the thresholds identified by the relevant criteria established by Consob). Both procedures (i.e. general and special) attribute great value to the role of Independent Directors, who are in all cases required to provide an opinion in advance of the execution of the proposed transactions; furthermore it is required that, at least when the “*special*” procedure applies, the above mentioned opinion must be binding on the Board of Directors and the Independent Directors must be involved, *inter alia*, in the preliminary investigation phase preceding the approval of transactions

The Procedure on Related Parties Transactions provides that the relevant functions and responsibilities which the Related Parties Regulation vests in a committee composed of non-executive directors in majority independent with reference to related parties transactions of a minor importance are in the responsibility of the Issuer’s Control and Risk Committee. As stated before, finally on April 22<sup>nd</sup>, 2015 a Committee composed solely of independent directors was established (the “Independent Directors Committee”). The following Directors were called to become members of the Committee: Mr. Vincenzo Manes (Chairman), Mr. Pierfrancesco Saviotti and Mrs. Romina Guglielmetti. The Committee has the relevant functions and responsibilities which the Related Parties Regulation vests in a committee composed solely of Independent and non-executive Directors with reference to related parties transactions of a greater importance; the above mentioned Committee functions in compliance with the principles set out in Art. 6 of the Procedure on Related Parties Transactions.

Considering that the Issuer complies with the Corporate Governance Code, the definition of “*independence*” relevant for the Procedure on Related Parties Transactions – in compliance with the provisions of the regulations in force – is provided by Art. 3 of the Corporate Governance Code or by the provisions applicable at any time pursuant to the recommendations included in the same.

As far as disclosure requirements are concerned, the Procedure on Related Parties Transactions makes it compulsory to publish an information document concerning each transaction of greater importance, as well as to disclose the opinion of the Independent Directors and – in its essential terms – the opinion of the independent experts.

Furthermore, the Procedure on Related Parties Transactions waives, in compliance with the provisions of the Related Parties Regulation, the application of the new legislation to some kinds of transactions, in particular, to transactions of exiguous amount, to transactions with or between Tod’s S.p.A. subsidiaries, to transaction with Tod’s S.p.A. associated companies (provided related parties of Tod’s S.p.A. do not have “*significant*” interests within the above mentioned companies), as well as to the other cases set out in the Related Parties Regulation.

Any amendment to the Procedure on Related Parties Transactions shall be approved by the Board of Directors following a favourable opinion of the Independent Directors Committee.

It is hereby confirmed that the Board of Directors did not deem it necessary to adopt specific operating solutions to facilitate the identification and adequate management of situations in which a Director

reflects its own interests or third-party interests: thus the Board deems the existing solution adequate with respect to the provisions of Art. 2391 of the Italian Civil Code ("*Director's Interests*").

Finally, a Meeting of the Independent Directors' Committee was held on December 6<sup>th</sup>, 2013, which, in the implementation of the Consob recommendation in Communication DEM/10078683 of September 24<sup>th</sup>, 2010, considered whether it was appropriate to review the Procedure on Related Parties Transactions three years after the Related Parties Regulation came into effect. After considering the existing Procedure on Related Parties Transactions and its application in practice, the Independent Directors Committee's opinion was that it was not necessary to make any changes to the Procedure on Related Parties Transactions, since it deemed it to be fully efficacious and adequate to the Issuer and the Group's operations, ownership structure and organisation.

### 13. APPOINTMENT OF STATUTORY AUDITORS

The Shareholders' Meeting is responsible for appointing the Statutory Auditors and Chairman of the Board of Statutory Auditors.

The procedures for presentation of nominee and voting slates are regulated by the Articles of Association.

Article 27 of the Articles of Association aims to ensure that the Chairman of the Board of Statutory Auditors is designated by the minority, from the slate that received the second highest number of votes. This clause was most recently amended at the Board of Directors meeting on March 6<sup>th</sup>, 2013, at which the Company amended its Articles of Association to comply with Law 120/2011, in accordance with the provisions of Article 2365, paragraph 2, Italian Civil Code, and Article 24 of the current Articles of Association, by introducing the principle that the composition of the Board of Statutory Auditors must always guarantee gender balance, in compliance with applicable statutory and regulatory provisions.

The Board of Statutory Auditors is elected on the basis of slates of nominees submitted by the Shareholders.

In particular, as many Shareholders which own a shareholding at least equal to the shareholding as established by Consob to elect the administration and control bodies – that corresponds to 1% of the share capital, as provided by Article 144-*quater* of the Issuer Regulation and by Consob resolution no. 19499 dated January 28<sup>th</sup>, 2016, at the approval date of this Report – may present a slate that must be registered at the registered office of the Company within the term set out under Art. 147-*ter*, par. 1-*bis*, of TUF, i.e. at least twenty five days before the date established for the Meeting in first call, convened to resolve on the appointment of the members of the Board of Statutory Auditors. Ownership of the aforesaid minimum shareholding shall be determined pursuant to law, on the basis of the shares registered in the relevant Shareholder's name as at the date on which the slates are filed with the Company.

Each slate must be accompanied by (i) the personal identification data of the Shareholders submitting the same, with an indication of the percentage of the Company's share capital held, on the overall, by all of the submitting Shareholders collectively; (ii) a statement by the Shareholders who submit the slate in question, but who do not, individually or collectively, hold a controlling or relative majority interest in the Company, certifying that the said Shareholders are not linked to Shareholders holding a controlling or relative majority interest in the Company, by any of the ties or relationships contemplated in Article 144-*quinquies* of the Issuer Regulation; (iii) statements through which the nominees appearing on the slate, accept their candidacy and certify, under their own responsibility, that they do not labour under any of the causes of disqualification or unfitness, and that they meet all the requirements imposed under law and the Articles of Association for serving on the Company's Board of Statutory Auditors; (iv) an exhaustive account of the nominees' personal and professional features; and (v) any and all other information

requested, in accordance with the provisions of law and the applicable regulations. A slate where the foregoing statutory requirements have not been observed is deemed not to have been presented.

For three consecutive terms beginning with the first time that the new Board of Statutory Auditors is elected after August 12<sup>th</sup>, 2012, each slate containing three or more nominees must be composed in such a way as to guarantee that the gender balance of the Board of Statutory Auditors satisfies the minimum quota required by applicable statutory and regulatory provisions.

If just one slate (or slates “connected” to each other according to the law or regulations) has been deposited by the deadline, other slates may be submitted until three days after that date, and the threshold for presentation is reduced by half.

Two statutory auditors and one alternate auditor are selected from the slate that received the highest number of votes.

A statutory auditor – who shall become Chairman of the Board of Statutory Auditors – and one alternate auditor are taken from the second slate of those that are not connected pursuant to the law and regulations with the Shareholders that submitted or voted for the slate receiving the highest number of votes.

If, upon conclusion of voting, the composition of the Board of Statutory Auditors as represented by its standing and alternate auditors does not satisfy the gender balance enjoined by applicable laws and regulations, the second standing auditor and/or the alternate auditor elected on the slate that received the highest number of votes shall be replaced, as applicable, by the next candidate for the same position but of the least represented gender who was listed on the same slate, so that at least one standing auditor and at least one alternate auditor shall belong to the least represented gender. If this procedure does not guarantee compliance with the laws and regulations applying to the composition of the Board of Statutory Auditors, the Shareholders’ Meeting shall make the necessary changes by resolution with the statutory majority of votes.

If a standing statutory auditor is replaced, the alternate auditor belonging to the same slate as the person substituted will take over his position, without prejudice, if possible, to compliance with the laws and regulations applying to the composition of the Board of Statutory Auditors; if this substitution does not result in gender balance mandated by applicable laws and regulations, the Shareholders’ Meeting must be called without delay to guarantee statutory compliance. If the Chairman is replaced, the Chairmanship shall be assumed by the alternate auditor replacing the outgoing Chairman. The Shareholders’ Meeting called to replace the members of the Board of Statutory Auditors pursuant to law shall comply with the principle of minority representation, as well as with the applicable laws and regulations mandating gender balance.

#### **14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS**

The composition of the Board of Statutory Auditors as at the closing date of the Financial year is indicated in Table no. 3 attached as an appendix hereto.

The Board of Statutory Auditors was appointed for the three-year term from 2013 to 2015 by an Ordinary Shareholders’ Meeting resolution on April 19<sup>th</sup>, 2013. Two lists were presented at the election:

a) the first, presented by the Majority Shareholder DI. VI. Finanziaria di Diego Della Valle & C. S.r.l., put forward the following candidates:

- Standing auditors
- 1) Enrico Maria Colombo, born in Milan on April 10<sup>th</sup>, 1959,
- 2) Fabrizio Redaelli, born in Milan on January 29<sup>th</sup>, 1960,
- 3) Rossella Porfido, born in Venice on December 28<sup>th</sup>, 1976.

- Alternate auditors:
  - 4) Gilfredo Gaetani, born in Civitanova Marche on September 22<sup>nd</sup>, 1957,
  - 5) Gabriella Manella, born in Pescara on November 24<sup>th</sup>, 1960;
- b) the second, filed by shareholders holding a total of 0.83% of the share capital after the deadline had been extended applying article 144-*sexies*, paragraph 5, of the Issuer Regulation and article 27 of the Articles of Association, put forward the following candidates:
- Standing auditor:
  - 1) Giulia Pusterla, born in Como on February 12<sup>th</sup>, 1960,
  - Alternate auditor:
  - 2) Myriam Amato, born in Pavia on October 19<sup>th</sup>, 1974.

The list presented by the Majority Shareholder DI. VI. Finanziaria di Diego Della Valle & C. S.r.l., obtained 82.27% of the voting shares: two standing auditors (Enrico Colombo and Fabrizio Redaelli) and one alternate auditor (Gilfredo Gaetani) were taken from this list.

The second list, not “related” to the list presented by the Majority Shareholder, obtained 16.65% of the voting shares: one standing auditor, who took up the position of Chairman of the Board of Statutory Auditors (Giulia Pusterla) and one alternate auditor (Mrs. Myriam Amato) were taken from this list.

This procedure was carried out in conformity to current gender equality rules.

The term of the Board of Statutory Auditors will expire on the date of the next Shareholders’ Meeting called for the approval of the financial statements on April 20<sup>th</sup> 2016.

During the Financial year, the Board of Statutory Auditors met seven times, and eight meetings are scheduled for the current financial year (of which three have already taken place). In general, the Board of Statutory Auditors' meetings have an average duration that varies from two to three hours.

The percentage attendance of each Member in the Meetings held is indicated in the Table shown in appendix.

It is hereby confirmed that during the financial year, no Statutory Auditor vacated his seat on the Board of Statutory Auditors and that no other changes occurred in the structure of the Board of Statutory Auditors from year-end to the approval date of this Report.

The personal information and professional qualifications of each Statutory Auditor are detailed below.

Giulia Pusterla was born in Como (CO) on February 12<sup>th</sup>, 1960. She graduated in Business and Economics from the “L. Bocconi” University of Milan. A certified public accountant, she has been registered since 1985 in the Como Register of Professional Accountants. She is a certified public accountant and the owner of a firm of auditors in Como. She is an expert in corporate crisis and reorganisation and in equal opportunities.

Enrico Colombo was born in Milan (MI) on April 10<sup>th</sup>, 1959. He graduated in Business and Economics from the “L. Bocconi” University of Milan. A certified public accountant, he has been registered since 1986 in the Milan Register of Professional Accountants. He is partner at an accounting firm in Milan and is an expert in tax law.

Fabrizio Redaelli was born in Milan (MI) on January 29<sup>th</sup>, 1960. He graduated in Business and Economics at the “L. Bocconi” University of Milan. He is enrolled in the Register of Certified Accountants of Milan, he is an auditor, and owns a firm of auditors in Milan; he is an expert in finance and real estate taxation.

It is also confirmed that the Statutory Auditors' independence is deemed to be already assured by compliance with the applicable legislation and the Articles of Association, in relation to Application Criterion 8.C.1 of the Code, and that therefore the Company did not deem it necessary to apply to the Statutory Auditors also the independence criteria set out in Article 3 of the Corporate Governance Code.

This decision was made by the Board of Directors by a resolution that was passed unanimously, within the Framework Resolution of April 22<sup>nd</sup>, 2015.

For these reasons, the criteria established by the law and by the Articles of Association were considered for the purposes of assessing the compliance with the independence requirements during the term in office. On the basis of the said criteria, the Board of Statutory Auditors verified the independence of its members immediately after their appointment at a meeting on April 19<sup>th</sup>, 2013, during the Financial year on March 4<sup>th</sup>, 2015 and lastly on February 29<sup>th</sup>, 2016; the outcome of the investigations carried out after their appointment was promptly announced to the market.

In regard to Application Criterion 2.C.2, all members of the Board of Statutory Auditors possess in-depth knowledge of the situation and operating dynamics of the Company and the Group. The number of Board of Statutory Auditors meetings, and the participation of its members at Board of Directors, Control and Risk Committee and Compensation Committee meetings guarantee that the Statutory Auditors are continuously updated on the situation of the Company and the market. Moreover, during the meetings of the Board of Directors, the delegated bodies illustrate material information on the performance of the Company and the Group by providing a continuous flow of information on, inter alia, the principal changes in the applicable statutory and regulatory framework and their impact on the Company.

A Statutory Auditor who has a vested interest in a given Issuer transaction, on its own behalf or on behalf of third parties, shall inform the other Auditors and the Chairman of the Board of Directors promptly and fully concerning the nature, terms, origin and level of its own interest, in compliance with Application Criterion 8.C.3 of the Code.

Lastly, it is hereby confirmed that, in compliance with Application Criteria 8.C.4 and 8.C.5, the Board of Statutory Auditors performed its activities, coordinating with the Internal Audit Function, including through constant exchanges of information, and with the Control and Risk Committee, the meetings of which are attended by the Chairman of the Board of Statutory Auditors, or an auditor appointed by the said Chairman for such purpose.

## 15. SHAREHOLDER RELATIONS

The “Corporate Governance” section of the Company web site [www.todsgroup.com](http://www.todsgroup.com) contains all information that Shareholders need for informed exercise of their rights.

In accordance with Application Criterion 9.C.1, the Framework Resolution approved by the Company Board of Directors at its April 22<sup>nd</sup>, 2015 meeting designated the Director Mr. Emilio Macellari as head of relations with institutional investors and other Shareholders, without prejudice to the fact that documents and information regarding the Company must be disclosed in accordance with internal procedures applicable to these relations.

The Company also provided itself with a corporate structure in charge to manage relations with the Shareholders, whose contact information is periodically provided in the Corporate Governance and Ownership Structure Report. The following contact numbers and e-mail address should be used to reach the Investor Relations Manager:

telephone: 02 77225354 – fax: 02 76009714 - e-mail address: [c.oglio@todsgroup.com](mailto:c.oglio@todsgroup.com)

In reference to Application Criterion 9.C.2, the Board of Directors has always reported to the Shareholders’ Meeting on the activities it has performed and planned, and it has always undertaken to guarantee that the Shareholders have adequate information so that they may take informed decisions about decisions falling in the purview of the Shareholders’ Meeting.

Finally, it should be noted that the Company complies with disclosure requirements set out in the relevant legislation and regulations in place accurately and timely, and its web site is structured to provide easy access for the public to information concerning the Issuer.

#### 16. SHAREHOLDERS' MEETINGS (pursuant to Art. 123-bis, paragraph 2, letter c), TUF)

The Shareholders Meeting shall be convened by the Directors by means of a Notice of Call to be published in accordance with the procedures and the time limits laid down by law. The Notice of Call shall contain the details of the date, time, the place of the meeting and the items to be discussed, as well as the additional information requested by the applicable legislation – also regulations – in force, in accordance with Article 11 of the Articles of Association, without prejudice to the convening powers envisaged by specific provisions of law.

The Company Articles of Association allow the Shareholders' Meeting to be held even on second or third call.

The current provisions of law are applicable concerning the valid constitution and valid resolutions passed by the ordinary and extraordinary Meeting, also in second and possibly third call.

The Shareholders' Meeting resolves on the items within its responsibility, in accordance with the applicable legislation, since additional specific responsibilities are not envisaged by the Articles of Association. It is hereby confirmed that, in compliance with Article 2365, paragraph 2 of the Italian Civil Code, the Articles of Association confer on the Board of Directors the power to resolve the merger in the cases envisaged in Article 2505 and in Article 2505-bis of the Italian Civil Code, establishing and closing secondary offices, reducing the Share Capital if the Shareholders withdraw, adapting the Articles of Association to the regulatory provisions and transferring the Registered Office within the country.

It should be noted that, as at the date of approval of this Report, there is no provision for the issue of multiple-voting shares, nor has the Company introduced provisions for the issue of loyalty shares as provided for in art. 127-*quinquies* of TUF.

It is hereby confirmed that at the approval date of this Report, the Meeting may be attended by any person having the right to vote therein and for whom the Company has received the communication issued by the authorised intermediary, based on the intermediary accounting records as at the seventh market day preceding the scheduled date of the Shareholders' Meeting at first calling, in compliance with the provisions of Art. 83-*sexies* of TUF.

Shareholders have the right to participate by proxy to Shareholders' Meetings, in compliance with the relevant laws, such a power of attorney to be conferred also via electronic means in accordance with the legislation – also regulatory provisions – as applicable from time to time.

The power of attorney can be notified to the Company also by means of a certified e-mail, to the certified e-mail address indicated in the Notice of Call, in compliance with legislation – also regulatory provisions – as applicable from time to time.

Moreover, in accordance with Article 11 of the Articles of Association, the Meeting may also be held as an audio/video-conference. if foreseen in the corresponding Notice of Call, the details of the places which are linked by audio/video means where the participants can meet shall be provided under the Company's responsibility. In any case the following conditions must be met:

- the Meeting Chairman, also via its own Chairman's office, must be able to ascertain the identity and the legitimate status of the persons in attendance, be able to discipline the Meeting's proceedings, establish and announce the results of the votes cast;
- the person preparing the Minutes must be able to follow adequately the events of the Meeting to be reported in the Minutes;

- the persons in attendance must be able to participate in the discussion and cast their vote simultaneously concerning the items on the Agenda.

The Meeting shall be deemed to be held in the place where the Chairman and the person preparing the Minutes will be present. At the Shareholders' Meeting held on April 22<sup>nd</sup>, 2015, which – inter alia – elected the new Board of Directors, the controlling shareholder gave adequate public notice of the motions for board resolution as to at least the number of Board members and their fees ; these motions were included in the filed list of agenda items, as recommended by the Board of Directors in its Management Report on the Agenda of the Shareholders' Meeting.

On the occasion of the next renewal of the term of office of the Board of Statutory Auditors – which is an item on the agenda of the shareholders' meeting of April 20, 2016 – the Governing Body (within the Management Report on the Agenda) has recommended that the Shareholders who intend to present a slate prepare and file, together with the slate, proposed resolutions on the fourth item on the agenda (also as to their fees).

The ordinary Shareholders' Meeting approved a Regulation that disciplines the orderly and functional proceedings of the Company's ordinary and extraordinary Meeting ("Meeting Regulations"), published in the Corporate Governance section on the following Internet web site: [www.todsgroup.com](http://www.todsgroup.com).

Pursuant to Article 9 of the General Meeting Rules, any and all persons entitled to attend the Shareholders' Meeting pursuant to law and the Articles of Association, also have the right to take the floor at the same to speak about the items placed on the agenda, it being understood that entitled persons intending to avail of such right must seek the Chairman's permission to take the floor, by submitting to the latter a written application to such effect, specifying the item on which the applicant intends to speak, after the Chairman has read out the items placed on the agenda, but before the Chairman puts an end to the debate on the item in respect of which the application to take the floor is submitted. As a general rule, the Chairman shall allow entitled persons to take the floor in the order in which their respective applications to speak, reach the Chair, it being understood that in the event two or more such applications reach the Chair at the same time, the Chairman shall grant the floor to the related applicants following the alphabetical order of their respective surnames. With the Chairman's authorization, applications to take the floor may be submitted by a show of hands, it being understood that in all such cases, the Chairman shall grant the floor to the related applicants following the alphabetical order of their respective surnames.

The last Shareholders' Meeting, which was held on April 22<sup>nd</sup>, 2015, was attended by eight board members.

The last Shareholders' Meeting, which was held on January 13<sup>th</sup>, 2016, was attended by ten board members.

It is hereby confirmed that the Board of Directors has also reported to the Meeting concerning the activities performed and scheduled and has always ensured that the Shareholders receive adequate information concerning the necessary aspects so that they are in a position to make the decisions which concern the Meeting, with full knowledge.

The Shareholders are regularly informed about the procedures governing the functions of the Compensation Committee, both in this Report and by means of the information contained in the Remuneration Report prepared pursuant to Art. 123-ter TUF.

With reference to Application Criterion 9.C.4 of the Code, it is noted that the changes in market capitalisation of the Issuer's shares during the financial year were in line with the trends of the Italian stock exchange and there were no significant changes in the Issuer's ownership structure.

It should be noted that, on January 13<sup>th</sup>, 2016, the Extraordinary Shareholders' Meeting resolved to increase the share capital of the Issuer, against payment, for a total amount of Euro 207,500,047.14,



through the issue of 2,484,138 ordinary shares to be reserved for subscription by Gousson - Consultadoria e Marketing S.r.l. ("Gousson"). The capital increase falls within the scope of the larger transaction which was announced to the market on November 22<sup>nd</sup>, 2015, and which was aimed at the acquisition from the related party Gousson of the Roger Vivier brand and of Roger Vivier Paris Sas, a company owned by Gousson which operates the flagship store located in Paris, at Rue du Faubourg Saint-Honoré, 29.

Following the abovementioned capital increase, the share capital of Tod's is divided into 33,093,539 ordinary shares, of which 2,484,138 shares, equal to 7.51% of the share capital, are held by Gousson.

The stake held by Diego Della Valle in the Issuer, both directly and indirectly, is then passed from 57.47% to 60.66%. Therefore, Diego Della Valle continues to control the Company pursuant to Article 93 TUF.

#### **17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, paragraph 2, letter a), TUF)**

The Company has not implemented corporate government practices beyond what is envisaged pursuant to the applicable statutory and regulatory provisions illustrated hereinabove.

#### **18. CHANGES SINCE THE END OF THE REPORTING PERIOD**

There have been changes in the Company governance structure between the closing date of the financial year and the approval date of this Report.

Milan, 14<sup>th</sup> March 2016

The Chairman of the Board of Directors  
Mr. Diego Della Valle

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE**

SHARE CAPITAL STRUCTURE				
	N° shares	% on the share capital	Listed (identify the markets) / not-listed	Rights and Obligations
Ordinary shares	33,093,539	100%	Electronic Stock Exchange organized by Borsa Italiana S.p.A.	
Multiple-voting shares				
Shares with limited voting rights				
Shares without voting rights				
Other				

OTHER FINANCIAL INSTRUMENTS (conferring the right to subscribe newly issued shares)				
	Listed (identify the markets) / not-listed	N° of outstanding instruments	Classes of shares serving the conversion/exercise	N° of shares serving the conversion/exercise
Convertible Bonds	-	-	-	-
Warrant	-	-	-	-

SIGNIFICANT HOLDING IN SHARE CAPITAL			
DECLARANT	DIRECT SHAREHOLDER	% ON THE SHARE CAPITAL	% SHARE OF VOTING CAPITAL
DIEGO DELLA VALLE	DI. VI. Finanziaria di Diego Della Valle & C. S.r.l.	50.291 %	50.291 %
	Gousson Consultadoria e Marketing S.r.l.	7.506%	7.506%
	Diego Della Valle & C. Srl	2.104%	2.104 %
	Diego Della Valle	0.761%	0.761%
CAPITAL RESEARCH AND MANAGEMENT COMPANY	CAPITAL RESEARCH AND MANAGEMENT COMPANY	6.197% (*)	6.197% (*)
OPPENHEIMERFUNDS INC.	OPPENHEIMERFUNDS INC.	3.690% (*)	3.690% (*)
ARNAULT BERNARD	Delphine s.a.s.	3.462% (*)	3.462 (*)%
(*) This percentage has been calculated on the basis of the most recent information provided by the shareholder and does not take account of the capital increase			

## TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE

Board of Directors													Control and Risk Committee		Compensation Committee		Independent Directors Committee		Executive Committee	
Position	Members	Year of Birth	Date of first appointment *	In office from	In office till	List **	Exec.	Non-exec.	Indep. as to Code	Indep. as to TUF	Number of other offices ***	(*)	(*)	(**)	(*)	(**)	(*)	(**)	(*)	(**)
Chairman <sub>1</sub>	Della Valle Diego	1953	05/08/2000	22/04/2015	31/12/2017	M	X				8	7/9							4/5	C
CEO	Della Valle Andrea	1965	05/08/2000	22/04/2015	31/12/2017	M	X				5	7/9							5/5	M
CEO <sub>2</sub>	Sincini Stefano	1958	28/04/2003	22/04/2015	31/12/2017	M	X				0	9/9							5/5	M
Director	Abete Luigi	1947	07/10/2000	22/04/2015	31/12/2017	M		X	X	X	14	6/9			4/4	C				
Director	Boscarato Maurizio	1941	07/10/2000	22/04/2015	31/12/2017	M		X			3	9/9	6/6	M						
Director	Cambri Luigi	1955	27/04/2005	22/04/2015	31/12/2017	M		X	X	X	1	9/9	6/6	C						
Director	Cordero di Montezemolo Luca	1947	26/04/2001	22/04/2015	22/01/2016	M		X	X	X	10	5/9								
Director	Della Valle Emanuele	1975	07/10/2000	22/04/2015	31/12/2017	M					4	4/9								
Director	Macellari Emilio	1958	05/08/2000	22/04/2015	31/12/2017	M	X				8	9/9							5/5	M
Director <sub>3</sub>	Saviotti Pierfrancesco	1942	07/10/2000	22/04/2015	31/12/2017	M		X	X	X	2	3/9					7/9	M		
Director	Manes Vincenzo	1960	22/04/2015	22/04/2015	31/12/2017	M		X	X	X	9	6/6			3/3	M	9/9	C		
Director	Scannavini Michele	1959	22/04/2015	22/04/2015	31/12/2017	M		X			-	6/6								
Director	Oglio Cinzia	1970	22/04/2015	22/04/2015	31/12/2017	M		X			-	6/6								
Director	Guglielmetti Romina	1973	22/04/2015	22/04/2015	31/12/2017	M		X	X	X	5	6/6	4/4	M			9/9	M		
Director	Dalmasso Sveva	1956	22/04/2015	22/04/2015	31/12/2017	M		X	X	X	-	6/6			3/3	M				
-----DIRECTORS WHO CEASED FROM THE OFFICE DURING THE RELEVANT FINANCIAL YEAR -----																				
No. of meetings held during the relevant financial year: 9						Control and Risk Committee: 6				Compensation Committee: 4		Independent Directors Committee: 9			Executive Committee: 5					
It should be noted that the quorum required for the presentation of lists at the time of the appointment of the present Board was 1.0% (Consob Resolution no. 19109 dated January 28 <sup>th</sup> , 2015)																				

### NOTES

The symbols specified below must be entered in the column headed "Position":

1 This symbol indicates the most important manager responsible for the management of the Issuer (Chief Executive Officer or CEO).

2 This symbol indicates the director responsible for the internal control and risk management system.

3 This symbol indicates the Lead Independent Director (LID).

\* "Date of first appointment" of each director means the date on which a director is appointed to the issuer's BoD for the very first time.

\*\* This column specifies the list from which each director has been appointed ("M": majority list; "m": minority list; "BoD": list presented by the BoD).

\*\*\* This column specifies the number of positions as director or statutory auditor held by the person concerned in other companies listed on regulated markets, including foreign markets, as well as in finance, banking and insurance companies or large companies. The positions are specified in full in the Corporate Governance Report.

(\*). This column specifies the directors' attendance at the meetings of the BoD and of the Committees, respectively (i.e. the number of meetings that have been attended by the person concerned compared to the total number of meetings that the person concerned could have attended; e.g. 6/8; 8/8 etc.).

(\*\*). This column specifies the position of the board member within the Committee: "C": chairman; "M": member.

**TABLE 3: BOARD OF STATUTORY AUDITORS STRUCTURE**

Board of Statutory Auditors									
<i>Position</i>	<i>Members</i>	<i>Year of birth</i>	<i>Date of first appointment *</i>	<i>In office from</i>	<i>In office till</i>	<i>List **</i>	<i>Indep. as to Code</i>	<i>Attendance at the Board meetings ***</i>	<i>No. of other offices ****</i>
Chairman	Pusterla Giulia	1960	19/04/2013	19/04/2013	31/12/2015	m	X	7/7	9
Standing auditor	Colombo Enrico	1959	26/04/2001	19/04/2013	31/12/2015	M	X	7/7	16
Standing auditor	Redaelli Fabrizio	1960	26/04/2001	19/04/2013	31/12/2015	M	X	7/7	24
Alternate auditor	Gaetani Gilfredo	1957	26/04/2001	19/04/2013	31/12/2015	M	X		
Alternate Auditor	Amato Myriam	1974	19/04/2013	19/04/2013	31/12/2015	m	X		
-----STATUTORY AUDITORS WHO CEASED FROM THE OFFICE DURING THE RELEVANT FINANCIAL YEAR-----									
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Number of meetings held during the relevant financial year: 7									
<p>The quorum required for the presentation of lists on the part of minorities for the renewal of the term of office of the Board of Statutory Auditors for the three-year period from 2016 to 2018 (pursuant to Article 148 TUF) is equal to 1.0% (Consob Resolution no. 19499 dated January 28<sup>th</sup>, 2016)</p> <p>It should be noted that the quorum required for the presentation of lists on the part of minorities for the appointment of the present Board was 1.0% (Consob Resolution no. 18452 dated January 30<sup>th</sup>, 2013)</p>									

**NOTES**

\* “Date of first appointment” of each statutory auditor means the date on which a statutory auditor is appointed to the issuer’s board of statutory auditors for the very first time.

\*\* This column specifies the list from which each statutory auditor has been appointed (“M”: majority list; “m”: minority list).

\*\*\* This column specifies the statutory auditors’ attendance at the meetings of the Board of Statutory Auditors (i.e. the number of meetings that have been attended by the person concerned compared to the total number of meetings that the person concerned could have attended; e.g. 6/8; 8/8 etc.).

\*\*\*\*This column specifies the number of positions as director or statutory auditor held by the person concerned pursuant to art. 148-bis TUF and to the related implementing provisions laid down in the Issuer Regulation issued by Consob. The full list of positions is published on the Consob’s website pursuant to art. 144-quinquiesdecies of the Issuer Regulation issued by Consob.

## APPENDIX A TO THE ANNUAL CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT FOR 2015

List of positions held by Directors of TOD'S S.p.A. in other listed companies, financial companies, banks, insurance companies, or large companies

DIRECTOR	POSITION	COMPANY
Diego Della Valle	Sole Director	Diego Della Valle & C. - S.r.l..
		DI.VI. Finanziaria di Diego Della Valle & C. S.r.l.
	Sole Director	
	Director	Le Monde Europe S.A.
	Director	L.V.M.H. Moët Hennessy Louis Vuitton
	Director	Nuovo Trasporto Viaggiatori S.p.A.
	Sole Director	DDV partecipazioni S.r.l.
	Sole Director	FA.DEL. S.r.l.
	Chairman	MDP Holding Due S.r.l.
Luca Cordero di Montezemolo	Chairman	Telethon Comitato e Fondazione
	Director	Montezemolo & Partners SGR
	Chairman	Charme Management S.r.l.
	Director	Kering (former PPR-Pinault)
	Director	Poltrona Frau S.p.A.
	Vice Chairman	Unicredit S.p.A.
	Director	Coesia S.p.A.
	Director	Nuovo Trasporto Viaggiatori S.p.A..
Luigi Abete	Chairman	Banca Nazionale del Lavoro S.p.A.
	Chairman	Civita Cultura S.r.l.
	Chairman	Emittenti Titoli S.p.A.
	Chairman	Italian Entertainment Group S.p.A.
	Chairman	Cinecittà World S.r.l.
	Chief Executive Officer	A.BE.T.E. S.p.A.
	Chief Executive Officer	Cinecittà Entertainment S.p.A.
	Chief Executive Officer	AskaneWS S.p.A.
	Director	Cinecittà Studios S.p.A.
	Director	Cinecittà Parchi S.p.A.
	Director	Il Sole 24 Ore S.p.A.
	Director	ArtigianCassa S.p.A.
	Director	SOFIM S.r.l.
	Director	TM News Holding S.p.A.
Emilio Macellari	Director	Cinecittà Entertainment S.p.A.
	Director	Marcolin S.p.A.
	Director	Italian Entertainment Group S.p.A.
	Director	Marmolada S.p.A.
	Director	3 Cime S.p.A.
	Director	SOFIM S.r.l.
	Director	Edilparco S.p.A.
	Director	MDP Holding Due S.r.l.
Andrea Della Valle	Director	ACF Fiorentina S.p.A.
	Sole Director	ADV Media S.r.l.
	Sole Director	ADV Partecipazioni S.r.l.
	Sole Director	Immobiliare De.Im. S.r.l.
	Sole Director	VM S.r.l.

DIRECTOR	POSITION	COMPANY
Pierfrancesco Saviotti	Chief Executive Officer Director	Banco Popolare Soc. Coop. Moncler S.p.A.
Romina Guglielmetti	Director Director Director Director Director	Banca Esperia S.p.A. Servizi Italia S.p.A. Pininfarina S.p.A. Compass Banca S.p.A.. Nuovo Trasporto Viaggiatori S.p.A.
Maurizio Boscarato	Chairman of the Board of Statutory Auditors Chairman of the Board of Statutory Auditors Auditor	Unicredit Leasing S.p.A. SILGA S.p.A. Giampaoli S.p.A.
Emanuele Della Valle	Chairman Director Director Director	Mediabendcapital Inc. DV Stone Harbour Italian Entertainment Group S.p.A. DV Bucks County LLC
Vincenzo Manes	Chairman Chairman Chairman of the Management Board Director Member of the Supervisory Board Chairman Director Director Director	Intek Group S.p.A. I2 Capital Partners SGR S.p.A. KME AG Compagnia Immobiliare Azionaria S.p.A. Quattrodue Holding B.V. Fondazione Dynamo Fondazione Olivetti Fondazione Italia x il dono Foundation Seriousfun Children's Network (USA)
Luigi Cambri	Chairman of the Shareholders' Meeting	Arca Impresa Gestioni SGR