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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> 2018

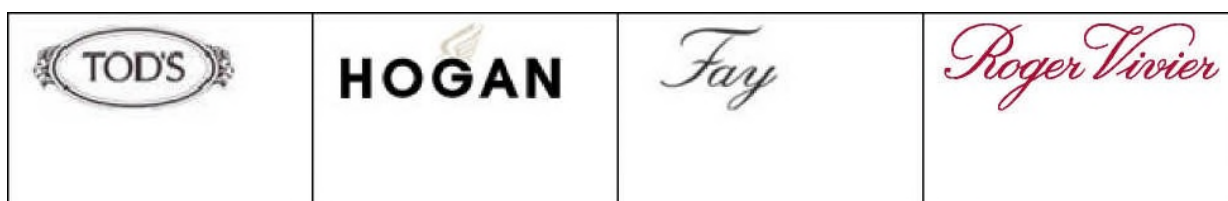
Approved by the Board of Directors of March 11<sup>th</sup>, 2019

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 eighth edition of the “Format for the corporate governance and ownership structure report” disseminated by the Market Operating Company in January 2019, 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 2018 (also referred to hereinafter as the “Code”).

This report, approved on March 11<sup>th</sup>, 2019, 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. -



## TABLE OF CONTENTS

GLOSSARY .....	4
1. PROFILE OF ISSUER.....	5
2 INFORMATION ON SHAREHOLDERS' OWNERSHIP (pursuant to Art. 123- <i>bis</i> , paragraph 1, Consolidated Law on Finance) AT MARCH 11 <sup>TH</sup> , 2019 .....	7
a) Structure of share capital (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter a), TUF) .....	7
b) Restrictions to share transfer (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter b), TUF) .....	7
c) Major shareholders (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter c), TUF) .....	7
d) Instruments allowing holders special rights (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter d), TUF) .....	7
e) Employees stock ownership: how to exercise voting rights (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter e), TUF) .....	8
f) Restrictions on voting rights (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter f), TUF) .....	8
g) Shareholders' agreements (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter g), TUF) .....	8
h) Change of control clauses (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter h), TUF) and bylaws on takeover bids (pursuant to Article 104, paragraph 1- <i>ter</i> and 104- <i>bis</i> , paragraph 1) .....	8
i) Proxies for Share Capital increase and authorization to purchase treasury shares (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter m), TUF) .....	9
l) Management and coordination activities (pursuant to Art. 2497 et seq. Italian Civil Code) .....	9
3 COMPLIANCE (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter a), TUF) .....	10
4 BOARD OF DIRECTORS.....	10
4.1 Appointment and substitution of Directors (pursuant to Art. 123- <i>bis</i> , paragraph 1, letter l), TUF) .....	10
4.2 Membership (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter d), TUF) .....	12
4.3 Functions of the Board of Directors (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter d), TUF) .....	18
4.4 Delegated bodies .....	24
4.5 Other Executive Directors .....	30
4.6 Independent Directors .....	30
4.7 Lead Independent Director.....	31
5. HANDLING OF CONFIDENTIAL INFORMATION.....	31
6. BOARD OF DIRECTORS COMMITTEES (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter d), TUF) .....	33
7. APPOINTMENT COMMITTEE .....	35
8. COMPENSATION COMMITTEE.....	35
9. DIRECTORS' COMPENSATION .....	37
10. CONTROL AND RISK COMMITTEE.....	38
11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM.....	40
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- <i>bis</i> , paragraph 2, letter b), TUF.....	41
11.2 Executive Directors in charge of the Internal Control and Risk Management System .....	43
11.3 Head of Internal Audit.....	44
11.4 Compliance Program pursuant to Legislative Decree no. 231/2001 .....	46
11.5 Independent auditor .....	48
11.6 Officer in Charge of Preparing Company Accounts .....	48
11.7 Coordination of persons involved in the Internal Control and Risk Management System .....	48
12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES .....	49
13. APPOINTMENT OF STATUTORY AUDITORS.....	50
14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter d), TUF) .....	52
15. SHAREHOLDER RELATIONS .....	55
16. SHAREHOLDERS' MEETINGS (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter c), TUF) .....	56
17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123- <i>bis</i> , paragraph 2, letter a), TUF) .....	58
18. CHANGES SINCE THE END OF THE REPORTING PERIOD .....	59
19. CONSIDERATIONS ON THE CORPORATE GOVERNANCE COMMITTEE' CHAIRMAN'S LETTER OF 21 DECEMBER 2018 .....	59
TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE.....	61
TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE .....	62
TABLE 3: BOARD OF STATUTORY AUDITORS STRUCTURE.....	64
APPENDIX A TO THE ANNUAL CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT FOR 2018.....	65

## GLOSSARY

**Corporate Governance Code** (the “Code”): The Corporate Governance Code for Listed Companies, approved in July 2018 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**C o d . c i v . / 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>, 2018, 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. 20249 of December 28<sup>th</sup>, 2017 (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 the Company pursuant to Art. 123-*bis* TUF.

**T U F** : 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 among 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. By a resolution passed by the Board of Directors on 25 January 2017, the Independent Directors Committee was also granted the power to deal with the sustainability issues relating to the conduct of the business activity.

**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 Article 19 of Legislative Decree 39 of 27 January 2010, currently in force, the Board of Statutory Auditors is required (i) to inform the Company's Board of Directors of the results of the statutory audit of accounts and provide it with the additional report referred to in Article 11 of Regulation (EU) 537/2014, accompanied by observations (if any); (ii) to monitor the financial reporting process and submit any recommendation or proposal aimed at ensuring its integrity; (iii) to check the efficacy of internal quality control and business risk management systems and, if applicable, of internal audit as regards financial reporting, without violating its independence; (iv) to monitor the statutory audit of separate financial statements and – if required – of consolidated financial statements, also taking account of any possible result and conclusion of quality control processes carried out by CONSOB according to Article 26, paragraph 6, of Regulation (EU) 537/2014, where available; (v) to establish and monitor the independence of independent auditors or of the accounting firm according to Articles 10, 10-bis, 10-ter, 10-quater and 17 of Legislative Decree 39/2010 and Article 6 of Regulation (EU) 537/2014, in particular as regards the provision of adequate services other than auditing to the Company, in accordance with Article 5 of said Regulation; (vi) to carry out any procedure aimed at selecting independent auditors or accounting firms and advise on independent auditors or accounting firms to be appointed pursuant to Article 16 of Regulation (EU) 537/2014.

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 the Company 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."

For more information, reference should be made to the consolidated non-financial statement prepared pursuant to Legislative Decree no. 254/2016 and included in the annual Financial Report for the 2018 financial year, which is available at the registered office, through the authorized storage system 1Info at the address: [www.1info.it](http://www.1info.it) and on the Company's website at the address : [www.todsgroup.com](http://www.todsgroup.com).

It should be noted that the Issuer does not fall within the definition of SME referred to in Article 1, paragraph 1, *w-quater*.), of TUF and Article 2-*ter* of the Issuer Regulation.

## **2.-INFORMATION ON SHAREHOLDERS' OWNERSHIP (pursuant to Art. 123- bis, paragraph 1, Consolidated Law on Finance) AT MARCH 11<sup>th</sup>, 2019**

The following sections provide more detailed information on the ownership structure at the date of March 11<sup>th</sup>, 2019 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, which are all shares of no par value.

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.

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 3% 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.

In compliance with Article 127-*quinquies* of TUF, Article 7 of the Company's Articles of Association provides for each share to be entitled to double voting (and therefore two votes for each share) if both the following conditions are satisfied: (a) the share has been possessed by the same person, by virtue of a real legitimate right for the exercise of the voting right (full ownership or bare ownership of voting rights or usufruct with voting rights) for an uninterrupted period of not shorter than twenty-four months; (b) the fulfilment of the requirement under letter (a) is attested to by the registration for an uninterrupted period of not shorter than twenty-four months in the special list kept by the Company for this purpose, as well as by a specific notice concerning the share ownership, given on the expiry date of the uninterrupted period by the intermediary with which the shares have been deposited pursuant to the regulations in force.

The acquisition of the increased voting rights comes into effect on the earlier between (i) the fifth trading day of the calendar month following that in which the conditions laid down in the Articles of Association for obtaining the increased voting rights have been fulfilled; or (ii) the record date of a Shareholders' Meeting (if any), set in accordance with the regulations in force, following the date on which the conditions laid down in the Articles of Association for obtaining the increased voting rights have been fulfilled. According to Article 7 of the Company's Articles of Association, increased voting rights also count towards the quorum for the constitution of the Shareholders' Meeting and for resolutions regarding share capital quotas, while they have no effect on rights, other than voting rights, to which shareholders are entitled by virtue of the possession of certain share capital quotas.

For more information, reference should be made to the Rules for increased voting rights, which is available in the section "*Corporate Governance/Increased Voting Right*" of the Company's website [www.todsgroup.com](http://www.todsgroup.com); in accordance with Article 143-*quater* of the Issuer Regulation, the personal details of the Shareholders who have applied for the registration in the special list are also published in the abovementioned section, specifying the related shareholdings, which however exceed the threshold set out in Article 120, paragraph 2, of TUF, and the record date.

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

There are no provisions for any employee share ownership system and 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).**

As at the date of approval of this Report, there were 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 seven separate loan agreements providing 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.

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).**

Pursuant to Article 6 of the Articles of Association, the Extraordinary Shareholders' Meeting may delegate powers to the Board of Directors to make capital increases, even by excluding any right of option. As at the date of approval of this Report, the Board had 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 19<sup>th</sup>, 2018 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 or possibly on multilateral trading systems, in compliance with the operating procedures established by the market management company, (iii) by buying and selling derivative instruments traded on regulated markets or possibly on multilateral trading systems, which envisage the physical delivery of the underlying shares, in compliance with the regulatory provisions time by time applicable, (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) according to the procedures set up by market practices permitted by Consob pursuant to Article 13 of Regulation (EU) No. 596/2014, and finally (vi) in the other ways allowed by applicable laws and regulations; in any case, this shall apply in 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 or to the Group, 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 and/or serving the issue of other financial instruments convertible into shares and/or programmes for the award of shares, free of charge).

Neither the Issuer nor its subsidiaries held Tod's S.p.A shares as at December 31<sup>st</sup>, 2018, i.e. at the end of the financial year.

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

Even though the Company 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 the Issuer): 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, the Company 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 the Company; the Board of Directors – as verified lastly on March 6<sup>th</sup>, 2019– comprises of no. 8 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 the Company 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 the Company 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 of the Company 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 website of the Corporate Governance Committee on page: <http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/codice2018.pdf> in the version of 2018), 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 7<sup>th</sup>, 2018 meeting, the Company's Board of Directors 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., Tod's Korea Inc., Roger Vivier S.p.A., Roger Vivier France s.a.s. and Italiantouch S.r.l., 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 (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 the Company (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 Director's Decision no. 13 of January 24<sup>th</sup>, 2019; 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 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.

It should also be noted that by a resolution passed on March 6th, 2018, the Board of Directors approved its diversity policy, which will be dealt with below.

Pursuant to Art. 123-*bis*, par. 1, letter *l*), 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.

### **Succession plans**

In compliance with application criterion 5.C.2 of the Corporate Governance Code, please note that the Board of Directors considers, on a periodic basis, whether to adopt a specific plan for the succession of executive directors within the context of the proceedings preliminary to the approval of the annual Corporate Governance Report and Ownership Structure Report. This issue was dealt with at the meetings of the Control and Risk Committee held on March 8<sup>th</sup>, 2018 and of the Board of Directors held on March 13<sup>th</sup>, 2018, and, finally, at the Board's meeting held on April 19<sup>th</sup>, 2018 to approve the Framework Resolution, during which various circumstances were considered, which included: the fact that the succession plans are not widespread and not much popular in Italy and in the rest of Europe, the particular ownership structure of the Company, the experience, expertise and age of all the members of the present executive bodies involved in the management of the Company, as well as, finally, the Company's powers and proxies System as a whole, such as to mitigate the risk of management vacancy and ensure business continuity. As a result of these evaluations, the Board has resolved that it finds 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 19<sup>th</sup>, 2018, which set the total number of directors' seats at 15 (fifteen).

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 ended December 31<sup>st</sup>, 2020.

The relevant information concerning each Director is illustrated in Table no. 2 attached as an Appendix hereto. Be advised that 14 members of the current Board of Directors have been appointed from the list presented by the Majority shareholder Di.Vi. Finanziaria di Diego Della Valle & C. S.r.l. (holding a stake of 50.291% of the share capital), which obtained favourable votes equal to 78.802% of the voting capital in attendance; one member (Gabriele Del Torchio) has been appointed from the list presented by the minority shareholder Global Luxury Investments S.à r.l. (holding 3.004% of the share capital), which obtained favourable votes equal to 13.023% of

the voting capital in attendance.

Please find below the personal information and professional qualifications of each director holding office, also in accordance with Article 144-*decies* of the Issuer 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. He has also been appointed as Director responsible for the internal control and risk management system and Director responsible for the whistleblowing system;
- 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 he also received a degree *honoris causa* in Business and Economics from the University of Sannio. Since 2010 he is President of FeBAF (*Federazione Banche, Assicurazioni e Finanza*). 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) Umberto Macchi Di Cellere, Executive Director, was born in Rome (RM), on 5 October 1964. After graduating in Economics and Business at La Sapienza University, he gained extensive experience first at Johnson & Johnson, then in the Bulgari Group as Worldwide Managing Director Sales. He joined the Tod's Group on November 6<sup>th</sup>, 2017 with the position of General Manager; he was then appointed to the Company's Board of Directors by a resolution passed by the Shareholders' Meeting held on April 19<sup>th</sup>, 2018, the date from which he also holds the position of Chief Executive Officer of the Group. He was, among other things, in charge of the internal control and risk management system; he sits on the Boards of Directors of various Italian and foreign subsidiaries;
- 7) 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 Italian and foreign subsidiaries and has been a member of the Company Board of Directors since 2000;
- 8) Pierfrancesco Saviotti, independent director without executive authority, was 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 BancaIntesa. He has been Senior Advisor for Italy and Vice Chairman of Merrill Lynch Europe, as well as 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;
- 9) Vincenzo Manes, non-executive and independent Director, was appointed as Lead Independent Director on April 19<sup>th</sup>, 2018. He was born in Venafro (IS), on April 1<sup>st</sup>, 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 April 22<sup>nd</sup>, 2015;

10) Cinzia Oglio, non-executive Director, was born in Vigevano (PV), on December 5<sup>th</sup>, 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 April 22<sup>nd</sup>, 2015;

10) Romina Guglielmetti, non-executive Director, was born in Piacenza (PC), on March 18<sup>th</sup>, 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 Board of Directors of some major Italian companies and of the Company since April 22<sup>nd</sup>, 2015;

12) Sveva Dalmasso, non-executive and independent Director, was born in Rome on December 9<sup>th</sup>, 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' Provident Fund (*Cassa Nazionale del Notariato*). She has been a member of the Company's Board of Directors since April 22<sup>nd</sup>, 2015.

13) Maria (also called Marilù) Capparelli, non-executive and independent Director, was born in Naples on June 11<sup>th</sup>, 1974. She is a lawyer and holds the position of Legal Affairs Manager at Google Inc. She has been sitting on the Board of Directors of RCS Mediagroup S.p.A. and on that of the Company since April 19<sup>th</sup>, 2018;

14) Emanuela Prandelli, non-executive and independent Director, was born in Lecco on July 17<sup>th</sup>, 1970. After graduating in Economics from L. Bocconi University, she is now LVMH Associate Professor of Fashion & Luxury Management at the Department of Management of L. Bocconi University, where she is also Director of the Master's program in Fashion, Design & Experience. He has been a member of the Company's Board of Directors since April 19<sup>th</sup>, 2018;

15) Gabriele Del Torchio, non-executive and independent Director, was born in Caravate (VA) on February 5<sup>th</sup>, 1951. After graduating in Economics and Banking from Università Cattolica del Sacro Cuore in Milan, he was Chief Executive Officer of some of the most important Italian companies, including Carraro Group S.p.A., Ferretti Group S.p.A., Ducati Motor Holding S.p.A., Alitalia S.p.A. etc.. He is Industrial Advisor to Investindustrial Private Equity and currently sits on the Board of Directors of some major Italian companies, including Tecnica S.p.A. and OVS S.p.A., and on the Company's Board of Directors since April 19<sup>th</sup>, 2018.

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 March 6<sup>th</sup>, 2019. Furthermore, as mentioned before, the Board of Directors identified the strategic subsidiaries of the Tod's S. p. A. Group on November 7<sup>th</sup>, 2018 – for the purpose of proper implementation of the Corporate Governance Code.

The information concerning each Director holding office as at the reporting date is reported in an appendix attached hereto as Table 2, specifying the board members who ceased to hold office at the Shareholders' Meeting held on April 19<sup>th</sup>, 2018.

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

#### **Diversity criteria and policy**

The Company has applied diversity criteria, including gender criteria, to the composition of the Board of Directors

in order to ensure that its members have an adequate level of competence and professionalism.

More specifically, as regards gender diversity, it should be noted that a third of the members of the Board of Directors holding office (i.e. 5 out of 15 members), which were appointed by the Shareholders' Meeting held on April 19<sup>th</sup>, 2018, belongs to the less represented gender. In any case the Company reserves the right to consider the application of the recommendation reported in the new 2.P.4 and 8.P.2 principles of the Code, concerning gender diversity criteria applicable "from the beginning of the first term of office of these bodies following the cessation of the effects of Law no. 120 of July 12<sup>th</sup>, 2011", by the expiry of the subsequent terms of office of the Board of Directors and of the Board of Statutory Auditors.

Without prejudice to the fundamentally important requisites of competence and professionalism of directors, the Company has also determined other diversity criteria which ensure that the governing body as composed is fit to perform the duties for which it is responsible, in the conviction that a balanced and harmonious composition of the Board of Directors is the basic requirement for the efficient conduct of business.

While also taking account of its ownership structures, the Company pursued these objectives by adopting a diversity Policy in the composition of the Board of Directors on the one hand and on the other the guidelines provided to shareholders at the time of the presentation of the lists for the renewal of the Board's term of office.

Specifically, in accordance with Article 123-*bis*, paragraph 2, letter d-*bis*) of TUF, the Company adopted, by a resolution passed by the Board of Directors on March 6<sup>th</sup>, 2018, its own diversity policy in relation to the composition of the governing body of Tod's S.p.A., also on the basis of the outcome of the periodic self-assessment procedure conducted by the Chairman of the Control and Risk Committee.

This policy is aimed at identifying an optimal composition of the Board of Directors, so that the latter may perform its duties in the most effective manner, making decisions that may actually benefit from the contribution of a number of persons with qualified and diversified skills, capable of examining the issues being dealt with from different perspectives.

Specifically, the diversity policy adopted by the Company's Board of Directors provides that:

- (i) the Board of Directors should be composed by a majority of non-executive directors, who should perform an important function to encourage the exchange of opinions and contribute to monitoring the decisions made by executive directors;
- (ii) one third of directors should, as a rule, meet the independence requirements prescribed by law and by the Corporate Governance Code, so as to allow an heterogeneous composition of the Board Committees (which must be composed by a majority of independent directors);
- (iii) the composition of the Board of Directors must in any case ensure gender balance in accordance with the provisions of law and of the Articles of Association in force from time to time, both upon appointment and during the term of office;
- (iv) it would be necessary to ensure a balanced combination of different age groups within the Board of Directors, so as to allow a balanced plurality of perspectives and managerial and professional expertise;
- (v) the board members should be persons who have such managerial and/or professional and/or academic and/or institutional background as to realise a mix of skills and expertise that are different and complementary between each other. Specifically:
  - a. the board members with a managerial background should have gained competence and experience in positions of responsibility in the luxury business sector or in sectors of businesses that are closely related to those conducted by the Company, or in any case within industrial groups of considerable size and/or complexity, as well as be persons whose performance is highly oriented to strategy and results in compliance with the principles of proper

corporate and business management, while also having regard to social sustainability and digital innovation issues;

b. the board members with a professional background should have gained competence and experience in positions of responsibility with accredited professional firms, consulting firms or other organisations and have provided their professional services in the fields of economy, accounting, law (with specific reference to commercial, corporate, tax and financial markets law), finance, as well as in the field of risk management and remuneration policy, with specific regard to business activities;

c. the board members with an academic and/or institutional background should possess such competence and expertise as may be required to strengthen the business of the Tod's Group;

(vi) the Chairman should be an authoritative and experienced person capable of ensuring, during the term of office, a correct, efficient and effective management of the proceedings of the Board of Directors, within which the Chairman is responsible for creating a strong spirit of cohesion, while being guarantor for the Board's work all Shareholders and stakeholders. The Chairman should encourage the participation of all directors in board debates on equal terms and possess adequate experience in managing issues of key importance to the Board, as well as specific managerial and entrepreneurial skills in the luxury business sector;

(vii) the Chief Executive Officers should be authoritative persons, with recognised strategic vision and with a thorough knowledge of the luxury business sector, as well as of its trends and their development. They should have gained considerable and successful experience as members of the top management of companies of considerable size and/or complexity operating worldwide, as well as possess adequate competence and expertise in the fields of economy and finance. They should also have recognised leadership skills and a management style focused on the ability to create a team spirit among collaborators.

In order for the Company's Board of Directors to be able to perform its duties in the most effective manner, it is essential that all directors ensure such available time as may be adequate for a diligent and responsible performance of its duties.

As to the methods of implementation, the abovementioned policy intends, first of all, to direct the candidates designated by the shareholders upon the renewal of the Board of Directors, ensuring an appropriate consideration of the benefits that might be obtained from an optimal composition of the Board itself, in line with the various diversity criteria reported above. The Board of Directors will also take account of the composition criteria set out in the abovementioned policy when it is necessary to replace one or more directors who have ceased to hold their position during the term of office, without prejudice to compliance with the composition criteria set out by law and by the Company's Articles of Association.

On the occasion of the renewal of the governing body, it should be noted that the outgoing Board of Directors has given – in the Report on the issues on the agenda prepared pursuant to Article 125-ter of TUF – some guidance on the managerial and professional profiles whose presence on the governing body are considered desirable, suggesting that the shareholders include in the list (i) candidates with a managerial and/or professional and/or academic and/or institutional background, so that a mix of diverse and complementary competencies and experience is created; (ii) a sufficient number of candidates who meet the requirements of independence so that at least one third of the members of the Board of Directors is normally made up of Independent Directors; (iii) candidates from different age brackets to provide a balanced number of professionals in the Board, some with future prospects and others with already acquired managerial and professional experience; (iv) persons of both genders in lists containing three or more candidates, so that the composition of the Board ensures gender equality to the extent set out in Article 147-ter, paragraph 1-ter, of TUF (i.e. ensures that the less represented gender is in a proportion of at least one third of the Directors elected).

Following the appointment resolved upon by the Shareholders' Meeting held on April 19th, 2018, the governing body holding office has established that its composition meets the diversity requirements mentioned above.



Within its organisational structure, and thus in the management of its human resources, the Company and the Group more in general base themselves on diversity and multiculturalism, which are fundamentally important principles for an international entity like the Group. A heterogeneous workforce is also a precious tool for understanding the particular needs of all the different markets and responding to them in the best possible way. The Company's intention to observe these values is also affirmed in the Code of Ethics, in which the Group states that it ensures respect for diversity and equal opportunities at every level of its organisation, observing merit criteria and without any discrimination at all arising from factors such as age, gender, sexual orientation, race, language, nationality, political or religious beliefs or membership of a trade union.

As at December 31<sup>st</sup>, 2018, the female staff members accounted for 64% of the Group's total workforce, as noted above. There were substantial numbers of female staff members in Group companies in all Regions of the world. Furthermore men and women were equally distributed among the top management (executives and middle managers), even with a slight preponderance of women (57,2%).

#### **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, as at the date of approval of this Report, (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 19<sup>th</sup>, 2018, and subsequently confirmed within the context of the annual self-assessment procedure carried out on March 6<sup>th</sup> 2019, based on which the Board has deemed it appropriate to confirm the reasons described in letter (b) above; (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 profitable 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 production sites, invitations to events for the presentation of collections, or to shows organised and/or in any case sponsored by the Issuer) 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. In this regard the delegated bodies have overseen, among others,

the performance of specific induction sessions during the Financial Year, reserved for independent directors (one session for the members of the Independent Directors Committee, regarding the project development plan adopted by the Group for the three-year period from 2018 to 2020 in the field of sustainability, and an additional session reserved for all independent directors of the Company, regarding the recommendations reported in the letter dated December 21<sup>st</sup>, 2018 and sent by the Chairman of the Corporate Governance Committee to any and all issuing entities, focusing on the board review).

#### **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 Company's Board of Directors plays a key role in determining the Issuer's and Group's strategic objectives.

The Board of Directors met seven 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.

Directors regularly attended Board meetings (the overall attendance rate was 88.2%, while the rate of attendance by independent directors was 85.1%).

Complete information related to all items on the Board of Directors meeting agendas is promptly made available to all the members of the governing body and of the Board of Statutory Auditors reasonably through an appropriate electronic platform (named "sharefile") in advance of the scheduled meeting date.

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. Finally, this decision was confirmed by the Board of Directors at the meeting held on March 6<sup>th</sup>, 2019, at the end of the periodic self-assessment process, during which all board members also gave their favourable opinion about the fact that the information required before Board meetings was provided in a complete, clear, easy-to-use and prompt manner, thus allowing each board member to get adequately ready for the board meetings and act in an informed manner.

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, while encouraging board members to make contributions during the proceedings of the meetings.

Some of the meetings held in the Financial year were attended by a person from outside the Board, i.e. the manager responsible for the Issuer's Management Control Office.

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 application Criteria 1.C.1., 2.C.4 and 7.C.1 of the Corporate Governance Code, it should be pointed out that, 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, including any and all risks in its assessments, which may become of importance with a view to the medium to long-term sustainability of the Issuer's business;
- 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 candidate managers and professionals 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 (i i) 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, as well as the methods of coordination between the persons involved, 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:
  - appoint and dismiss the Head of the Internal Audit Function;
  - assure that he disposes of adequate resources to discharge his duties;
  - 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 March 13<sup>th</sup> 2011, and, finally, as amended by a Board resolution of November 1 1<sup>th</sup>, 2 015, and illustrated in the Remuneration Report prepared in accordance with Article 123-ter TUF, to which reference should be made.

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 19<sup>th</sup>, 2018) 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, during the Financial year and, finally, at the meeting held to approve the Annual Financial Report at

December 31<sup>st</sup>, 2018. In particular, said assessments were carried out on the basis of the analysis by the Directors 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 Company, at its November 13<sup>th</sup>, 2007 meeting and, ultimately, at its November 7<sup>th</sup>, 2018 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 within the Group; *vi)* strategic relevance of the subsidiary on the market. Following analysis of the above mentioned parameters, most recently at the board meeting held on November 6<sup>th</sup>, 2017, the following companies were identified as strategic subsidiaries of the Company : Tod’s France Sas, Tod’s Japan KK, Deva Inc., Tod’s Hong Kong Ltd., Tod’s (Shanghai) Trading Co. Ltd., Tod’s Korea Inc., Roger Vivier S.p.A., Roger Vivier France s.a.s. and Italiatouch S.r.l.;

*b)* assessed general operating performance during the Financial year and, finally, on March 11<sup>th</sup>, 2019 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 “*significant*” of transactions to be subject to its prior examination and approval);

*d)* in the Financial year and, finally, on March 6<sup>st</sup>, 2019, 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 of the Board of Directors is adequate with respect to the Company’s organisational structure; *(ii)* whether the composition of the governing body is adequate with respect to the Company’s operations, also in terms of age of the board members, gender balance, professional skills and expertise; *(iii)* whether the diversity criteria set out in the diversity Policy adopted by the Company are complied with; *(iv)* the number, expertise, authority and available time of the non-executive and/or independent directors; *(v)* 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; *(vi)* the provision of clear, 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; *(vii)* the operation of the new IT “sharefile” platform implemented by the Company for sending any document and information required for the various meetings to directors and statutory auditors; *(viii)* whether the amount of time dedicated to discussing the items on the agenda during the board meetings is adequate with respect to the importance of the items themselves; *(ix)* 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; *(x)* the adequacy of the information provided by the delegated bodies for assessment of general operating performance and its outlook; *(xi)* the adequacy of the Company’s organisational structure in relation to the management of conflicts o

f interest and related-party transactions; (xii) 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; (xiii) the adequacy of the directors' expertise in defining the levels of risk that are regarded as appropriate and sustainable in relation to the risks to which the Company is exposed; (xiv) the possible definition of a plan for the succession of executive directors, while having regard to the current ownership structure; (xv) the opportunity to set up an Appointment Committee; (xvi) the adequacy of the directors' and key managers' compensation in relation to the goal of creating shareholder value over the medium-long-term; (xvii) the adequacy of the Company's business management and organisation model with respect to environmental, social and personnel management issues; and finally (xviii) the assessment of the independence prerequisites established by law and the Code.

Finally, at its meeting on March 6<sup>th</sup>, 2019, 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 15 Directors, including eleven without executive authority, eight 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 organisational structure, 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, the latter performing an important function to encourage the exchange of opinions and contribute to monitoring the decisions made by executive directors; on the other hand, the self-assessment determined the adequacy of the composition of the governing body, both in terms of age of the board members, gender balance, professional skills and expertise with respect to the Company's operations, and in relation to the diversity criteria set out in the diversity Policy adopted by the Board of Directors.

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 clear, complete and prompt, as well as that the quality of discussion was adequate, also as regards the duration of the meetings. The Board of Directors also found that the information received by delegated bodies during the board meetings was adequate and satisfactory both in regard to the general performance of operations and its outlook, and to the management of conflicts of interest and 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 risk that are regarded as appropriate and sustainable in relation to the risk to which the Company is exposed;
- (iii) that the Company's business management and organisation model is adequate with respect to environmental, social and personnel management issues;
- (iv) 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 outgoing Board of Directors, acting before election of the current Board by the Shareholders' Meeting on April 19<sup>th</sup>, 2018, while taking account of

the outcome of the self-assessment procedure conducted at the meeting held on March 6<sup>th</sup>, 2018 and having regard to the diversity policy adopted by the governing body on the same date, informed the Shareholders - within the scope of the Report on the items on the agenda prepared pursuant to Article 125-ter of TUF – of its guidelines on the composition of the governing body, while advising the Shareholders who intended to present a list:

(i) to include candidates in the list who have such managerial and/or professional and/or academic and/or institutional background as to realise a mix of skills and expertise that are different and complementary between each other. Specifically:

a. the board members with a managerial background should have gained competence and experience in positions of responsibility in the luxury business sector or in sectors of businesses that are closely related to those conducted by the Company, or in any case within industrial groups of considerable size and/or complexity, as well as be persons whose performance is highly oriented to strategy and results in compliance with the principles of proper corporate and business management, while also having regard to social sustainability and digital innovation issues;

b. the board members with a professional background should have gained competence and experience in positions of responsibility with accredited professional firms, consulting firms or other organisations and have provided their professional services in the fields of economy, accounting, law (with specific reference to commercial, corporate, tax and financial markets law), finance, as well as in the field of risk management and remuneration policy, with specific regard to business activities;

c. the board members with an academic and/or institutional background should possess such competence and expertise as may be required to strengthen the business of the Tod's Group;

(ii) to include an adequate number of candidates in the list, who meet the independence requirements, so that at least a third of the Board of Directors may as a rule be composed by independent directors;

(iii) to include candidates in the list who have been selected from different age groups, so as to allow a balanced plurality of perspectives and managerial and professional expertise within the Board of Directors;

(iv) to include, in each list containing a number of candidates equal to or higher than three, candidates of both genders, so that the composition of the Board of Directors may ensure gender balance to the extent set out in Article 147-ter, paragraph 1-ter, of TUF (the less represented gender shall obtain a quota equal to at least a third of the elected Directors).

In fact, the Board of Directors deems it advisable that its members include persons who meet the abovementioned requirements, being convinced that the heterogeneous and highly qualified professional skills called upon to contribute to the proceedings of the governing body, as well as the balanced combination of genders and age groups, may allow the analysis of the various arguments to be discussed from different perspectives, thus contributing to promote a mature and full exchange of opinions, which is the prerequisite for each pondered and aware decision made by the collective body.

\* \* \*

The Shareholders' Meeting held on April 19<sup>th</sup>, 2018 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;
- i. 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 appointed as **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 extra ordinary 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.

Andrea Della Valle was also appointed as Director responsible for the Internal Control and Risk Management System, as well as Director responsible for the Whistleblowing system by a resolution passed by the Board of Directors on April 19<sup>th</sup>, 2018.

The **Chief Executive Officer**, Mr. **Umberto Macchi di Cellere**, 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. sign and file with any and all Tax Authorities, periodic declarations and communications, declarations of

commitment, attachments, motions, including for suspension, Intrastat and CUPE forms;

- b. sign and file requests and notices to the Chamber of Commerce, the Register of Companies and any other public body (e.g. Municipal, Provincial and Regional Governments, INAIL [Italian Institute for Insurance against Accidents at Work], INPS [Italian Social Security Institute], healthcare units and Fire Brigades, as well as any other body that is similar or can be treated as such);
- c. undertake the following actions of routine business administration:
- sign the Company's correspondence;
  - sign master agreements to govern the conditions for the procurement of raw and ancillary materials, processed and finished products, including issuing purchase orders which commit the Company to paying amounts of not over Euro 500 thousand;
  - purchase and sell vehicles, personal property, office machines and equipment in general up to an amount of not over Euro 200 thousand;
  - purchase the materials, products and machinery necessary or useful to the conduct of the company business up to an amount of not over Euro 200 thousand;
  - enter into, amend or terminate utilities contracts for the supply of energy, electricity, water, gas and telephone services;
  - enter into, amend or terminate insurance contracts of any kind whatsoever, which commit the Company to paying a premium of up to Euro 500 thousand p.a.;
  - enter into settlement agreements (excluding those in labour law matters) involving the Company in a commitment to paying, or to waiving the payment of, amounts of not over Euro 100 thousand;
  - issue debit notes, as well as to collect amounts due to the Company, even through bills or notes, issuing receipts for same and authorise the issue of credit notes in amounts of not over Euro 100 thousand;
  - demand any sum owing on any basis both from private persons or 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 Post and Telegraph Offices, 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;
- d. appoint attorneys with limited authority in general for single legal transactions, vesting them with powers within the limit of his own powers and giving notice thereof to the Executive Committee.

The Chief Executive Officer has also been vested with the following powers, as joint signatory and with the signature of the Deputy General Manager, Rodolfo Ubaldi:

- bring – with reference to proceedings with a value of less than Euro 500 thousand -any action and lodge any application in judicial and administrative courts of all levels, including Supreme Court cases and revocation proceedings, as well as appoint arbitrators and granting powers to lawyers and attorneys for litigation purposes;
- sign agreements and contracts with customers and retailers, franchise and distribution agreements, as well as any other agreement aimed at distributing and selling the Tod's Group's products;
- sign agreements and contracts with advisors and assistants, as well as any other agreement consistent with the corporate purpose to an amount of not over Euro 500 thousand per transaction or contract, or per single year in the event of contracts with a term of more than one year;
- sign master agreements to govern the conditions for the procurement of raw and ancillary materials, processed and finished products, including issuing purchase orders which commit the Company to paying amounts of over Euro 500 thousand and up to Euro 1 million per single transaction;
- enter into and amend lease agreements, regarding both personal and real property, excluding the power

of termination, up to an amount of not over Euro 500 thousand per transaction or contract, or per single year in the event of contracts with a term of more than one year;

- purchase and sell vehicles, personal property, office machines and equipment in general to an amount of over Euro 200 thousand and up to Euro 500 thousand per single transaction;
- purchase the materials, products and machinery necessary or useful to the conduct of the company business to an amount of over Euro 200 thousand and up to Euro 500 thousand per single transaction;
- enter into and amend lease agreements, regarding both personal and real property, to an amount of over Euro 500 thousand and up to Euro 1 million per transaction or contract, or per single year in the event of contracts with a term of more than one year;
- enter into, amend or terminate insurance contracts of any kind, which commit the Company to paying a premium of over Euro 500 thousand p.a.;
- file for and have decisions handed down in relation to declarations of insolvency, composition with creditors, proceedings for subjection to special administration and to bring insolvency proceedings in general, with all the related powers;

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

At the meetings held on April 19<sup>th</sup>, 2018, the Board of Directors appointed and confirmed the appointment of Mirko Bartoloni, the Group's Supply Chain Manager, and the Managing Director **Umberto Macchi di Cellere 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.

The Board Member Umberto Macchi di Cellere has also been designated as Director Responsible for the Internal Control and Risk Management System by a resolution passed by the Board of Directors on April 19<sup>th</sup>, 2018.

By a resolution passed by the Board of Directors on April 19<sup>th</sup>, 2018, the Director **Emilio Macellari** was delegated specific authority *(i)* 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, as well as the more efficient management of available financial resources, *(ii)* 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, *(iii)* to supervise and coordinate relations with institutional investors and other shareholders in compliance with applicable internal procedures, as well as *(iv)* to 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.

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.6 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 interlocking directorate situations among the members of the Issuer's Board of Directors.

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

In regard to 2.P.6 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 March 6<sup>th</sup>, 2019, confirmed its opinion and decided that the Issuer's corporate governance 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.4 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 19<sup>th</sup>, 2018, 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 Umberto Macchi di Cellere.

The Executive Committee has been appointed by the Board on April 19<sup>th</sup>, 2018 for a three years term, and shall remain in office until the next Shareholders' Meeting called to approve the financial statements for financial year 2020.

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 4 times during the Financial year and at least four Meetings are scheduled for the current financial year (1 of which has already taken place). In general, the Executive Committee's Meetings have a duration that varies from four to five hours.

The Meetings recorded the regular and diligent participation of its members (in fact, the overall percentage participation was 100%, 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, and in accordance with Article 150 of the TUF and Article 24 of the Articles of Association, the Board has repeatedly asserted, even formally, (in the Framework Resolution of April 19<sup>th</sup>, 2018) 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 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 Member 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 Umberto Macchi di Cellere. Mr. Emilio Macellari was conferred with special powers of attorney within the Issuer. Mr. Umberto Macchi di Cellere is also General Manager of the Company and 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 eight out of a total of fifteen (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 19<sup>th</sup>, 2018, 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, Marilù Capparelli, Sveva Dalmasso, Gabriele Del Torchio, Romina Guglielmetti, Vincenzo Manes, Emanuela Prandelli and Pierfrancesco Saviotti, 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.

During the Financial year, the assessment as to whether the independence requirements are met was carried out by the Board of Directors at the meeting held on April 19<sup>th</sup>, 2018, following the appointment. Finally, this assessment was carried out on March 6<sup>th</sup>, 2019, at the end of the annual self-assessment procedure ordered by the Chairman of the Control and Risk Committee, on the basis of the updated information provided by each director concerned. Specifically, in those circumstances, the Board considered, among other things, that the independence requirements were also met by board members Luigi Abete, Marilù Capparelli, Sveva Dalmasso, Gabriele Del Torchio, Romina Guglielmetti, Vincenzo Manes, Emanuela Prandelli and Pierfrancesco Saviotti. It also acknowledged that the number of the members of the Board (composed of 15 directors, of which 11 are non-executive directors and 8 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.

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 directors Luigi Abete and Pierfrancesco Saviotti were not compromised by the fact of having held their position for more than 9 years in the last 12 years;

(ii) as far as necessary, the director Marilù Capparelli was not compromised by the fact that the Chairman Diego Della Valle is a member of the board of directors of R.C.S. S.p.A. for which Mrs. Capparelli holds the position of non-executive and independent Director.

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 and authoritativeness are well known in the market and ensure 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.

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, during the Financial Year the Independent Board Members met, in the absence of other Directors, on December 12<sup>th</sup>, 2018, in order to assess, among other things, the composition and operation of the Board and of its Committees, also in consideration of the diversity Policy adopted by the Company, as well as the role played by them within the Committees. At the same time the independent Directors also confirmed their statement of independence rendered upon acceptance of the appointment.

After the end of the Financial Year, the independent board members also met, in the absence of other Directors, on January 23<sup>rd</sup>, 2019 in order to consider the recommendations provided in the letter dated December 21<sup>st</sup>, 2018, and sent to all issuing companies by the Chairman of the Corporate Governance Committee.

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 19<sup>th</sup>, 2018. Although in the absence of an express commitment to this effect, all the independent directors maintained their independence until today.

#### **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 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 19<sup>th</sup>, 2018 the Board appointed the (non-executive and) independent Director Vincenzo Manes as the "Lead Independent Director", by complying with Application Criterion 2.C.4 of the Code and with the recommendation mentioned in the comment concerning Article 2; Vincenzo Manes was assigned

the following functions:

- to 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, procuring that a meeting of Independent Directors was convened, which was held on December 12<sup>th</sup>, 2018.

After the end of the Financial Year, the Independent Directors met, in the absence of other directors, on January 23<sup>rd</sup>, 2019.

## 5. HANDLING OF CONFIDENTIAL INFORMATION

By a resolution passed on July 21<sup>st</sup>, 2016 on the basis of a proposal submitted by the Chairman and CEO in compliance with application criterion 1.C.1., letter j), of the Code, the Company's Board of Directors updated the "*Regulation for internal management and public disclosure of documents and information concerning Tod's S.p.A. and the Tod's Group*" (adopted since May 15<sup>th</sup>, 2002) in order to bring it into line with the new rules governing market abuse laid down in regulation (EU) 596/2014 and related implementing regulations.

The abovementioned Regulation was updated on December 22<sup>nd</sup>, 2017, by a decision made by the Chairman and Managing Director, in order to take account of the guidelines provided by the ESMA (final report, guidelines and Q&A) and by Consob (Guidelines on the handling of inside information), and finally, on November 7<sup>th</sup>, 2018, in order to adopt the regulatory changes introduced by Legislative Decree 107/2018.

This Regulation regulates the procedures for internal handling and external communication of confidential documents and information concerning the Issuer and the Tod's Group, including "regulated information" pursuant to Article 113-ter of the TUF, i.e. information that must be published by listed issuers in the application of laws and regulations in force, and with specific reference to "inside information" pursuant to Article 7 of Regulation (EU) 596/2014 ("price sensitive information"), i.e. information of a precise nature, which has not been made public, relating, directly or indirectly, to the Company and/or to its financial instruments, and which, if it were made public, would be likely to have a significant effect on the prices of those financial instruments, including derivatives (in accordance with the recommendations provided in the Consob Guidelines on the handling of inside information, the abovementioned Regulation sets out, among other things, the criteria for the identification of inside information and the categories of relevant information that might be subsequently regarded as inside 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/Procedures and Regulations section of the website [www.todsgroup.com](http://www.todsgroup.com).

In compliance with Article 17 of Regulation (EU) 596/2014, the abovementioned Regulation allows the Company to postpone, by a resolution to be jointly passed by the Chairman and the Vice Chairman or, if required, by the Board of Directors and under its own responsibility, the public disclosure of inside information, provided that all the conditions are fulfilled, which are provided for in European and national laws and regulations, as applicable from time



to time. Furthermore, the Company may be allowed, by a resolution to be jointly passed by the Chairman and the Vice Chairman or, if required, by the Board of Directors, to carry out “market soundings”, including through third parties that act in its name or on its behalf: these consist of the disclosure of information, prior to the announcement of a transaction, in order to gauge the interest of potential investors in a possible transaction and related terms and conditions, such as potential size and pricing, to one or more potential investors, in accordance with the European and national laws and regulations, as applicable from time to time..

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

Pursuant to the Framework Resolution adopted on April 19<sup>th</sup>, 2018, 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; the Chairman of the Committee shall give notice thereof to the Board of Directors at the first subsequent meeting;
- 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 each 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 Company's 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 19<sup>th</sup>, 2018, 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.

In relation to the comment on Article 4 of the Code, which recommend that the Boards of Directors of the companies belonging to the FTSE-Mib index consider whether to establish a specific committee dedicated to supervising sustainability issues connected with the conduct of the business activity and to its interaction with all stakeholders, or to concentrate or distribute these functions between the committees that have already been set up. The Company's Board of Directors has deemed it appropriate to assign this responsibility to the Independent Directors Committee and considered it unnecessary, especially in the light of the Company's voluntary compliance with the recommendation laid down therein, to establish a specific committee for sustainability issues. More specifically, the Board of Directors considered that the Independent Directors Committee was the most suitable to perform such proactive duties to boost the business as are required by the promotion of single sustainable development projects and of non-profit initiatives. It should be noted that the Board of Directors has specifically appointed the Independent Directors Committee: (a) to consider and assess the sustainability policy aimed at creating value over time for their Shareholders and any other stakeholder, in accordance with sustainable development principles, as well as with regard to the sustainability guidelines and targets that are submitted to the Board of Directors on an annual basis; (b) to consider the implementation of the sustainability policy on the basis of the instructions given by the Board of Directors; (c) to consider and assess sustainability projects, including in relation to single projects; (d) to consider the Company's non-profit strategy and its implementation, including in relation to single projects, as well as any non-profit initiative submitted to the Board of Directors; (e) to give its opinion, at the request of the Board of Directors, on other sustainability issues.

## 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 the Company 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 website. 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, including on the basis of the diversity criteria set out by the Issuer, the composition of the governing body that is regarded from time to time as the most appropriate.

Finally, it should be noted that, in the implementation of the provisions laid down in Article 123-bis, paragraph 2, letter d-bis), of TUF, the Company adopted its diversity policy, by a Board resolution passed on March 6<sup>th</sup>, 2018, which is aimed at identifying an optimal composition of the Board of Directors.

## 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 (pursuant to Article 123-bis, paragraph 2, letter (d) of the TUF)**

In the Board Meeting held on April 19<sup>th</sup>, 2018, the Board resolved to establish the Compensation Committee for the 2018-2020 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: Vincenzo Manes (Chairman), Luigi Abete and Sveva Dalmaso. It should be noted that the composition of the Compensation Committee holding office until the Shareholders' Meeting held on April 19<sup>th</sup>, 2018, was as follows: Luigi Abete (Chairman), Vincenzo Manes and Sveva Dalmaso.

The Compensation Committee met twice (one of which in the composition prior to the Shareholders' Meeting held on April 19<sup>th</sup>, 2018) during the Financial year, with an 83.3% 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: minutes were duly drafted and the Chairman gave notice thereof to the Board of Directors at the first subsequent meeting; 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 April 19<sup>th</sup>, 2018 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 and of the General Manager, 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*, the Company's human resources department, and/or any of the Company'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 performed its functions, both recommendatory and consultative; among the measures that it took were:

- in its composition prior to the renewal of the governing body, (i) it considered whether the Chief Executive

Officers had actually achieved the performance targets set for the 2017 financial year, (ii) it verified that the pay policy had been applied in practice during the 2017 Financial Year, (iii) it submitted a proposal to the Board of Directors as to updating the Compensation Policies and Procedures; (iv) it submitted a proposal to the Board for termination benefits to be granted to the Chief Executive Officer Mr. Stefano Sincini;

- in its composition after the renewal of the governing body, (v) it submitted to the Board a proposal for determining and setting the additional remuneration under Article 2389, paragraph 3, of the Italian Civil Code, payable to Chief Executive Officers, the general manager, the members of the Supervisory Body and of the Board Committees, as well as for determining and setting the performance targets that are to be linked to incentive components of remuneration, both in the short and in the medium/long term, for the director vested with delegated powers for finance and administration, as well as for the Chief Executive Officer and general manager.

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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, and, finally, by resolution dated March 13<sup>th</sup>, 2018, 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, general manager and of other directors 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, to which reference should be made in full for any information not contained in this Report, is available for public consultation at the Company's registered offices, as well as on the Company's website [www.todsgroup.com](http://www.todsgroup.com) and through the authorised storage device 1info at the address [www.1info.it](http://www.1info.it).

### 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, 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.

**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)**

As stated in the Remuneration Report, it should be noted that, as regards the Chief Executive Officer and general manager, Mr. Macchi di Cellere, in addition to a compensation in lieu of notice, an all-inclusive gross allowance, graduated according to seniority in the Company (2 months for up to 2 years' seniority; 6 months for between 2 and 6 years' seniority; 10 months for between 6 and 10 years' seniority; 15 months for between 10 and 15 years' seniority; 21 months for beyond 15 years' seniority) will be payable in cases of the Company's withdrawal without just cause or justified reason, in compliance with the applicable National Collective Labour Agreement (CCNL) for Executives in Companies producing Goods and Services. A higher conventional seniority of two more years has been contractually agreed for the sole purpose of estimating the compensation in lieu of notice and the allowance additional to the latter.

There are no agreements in place between the Group and any other director, 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.

During the Financial year, Mr. Stefano Sincini ceased to hold the office as the Group's General Manager and Chief Executive Officer. At the time of the termination of office and of the dissolution of the employment relationship, the Company disclosed, in accordance with the 6.P.5 principle of the Code – through appropriate press releases issued to the market on March 13<sup>th</sup>, 2018 and then on April 19<sup>th</sup>, 2018 – detailed information regarding the payment of allowances and/or other benefits, in the application of the 6.C.8 criterion of the Code.

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

In accordance with Principles 7.P.3 sub-section a), no. (ii), and 7.P.4 of the Code, the Company'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 prerequisites 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 19<sup>th</sup>, 2018, to constitute the Control and Risk Committee. Its members are the following directors without executive authority, a majority of whom are independent: Romina Guglielmetti (Chairman), Maurizio Boscarato and Vincenzo Manes.

It should be noted that the composition of the Compensation Committee holding office until the Shareholders' Meeting held on April 19<sup>th</sup>, 2018 was as follows: Luigi Cambri (Chairman), Maurizio Boscarato and Romina Guglielmetti.

During the Financial year, the Control and Risk Committee met eleven times (four of which in the composition prior to the Shareholders' Meeting held on April 19<sup>th</sup>, 2018) 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, Mrs. Guglielmetti, minutes shall be drafted and the Chairman shall give notice thereof to the Board of Directors at the first subsequent meeting. The meetings were regularly and assiduously attended by the directors (the overall percentage rate of attendance was 100%, 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 Mrs. Romina Guglielmetti was appointed as Chairman of the Committee, following the renewal of the governing body. 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;
- h. support, with an adequate information-gathering activity, the assessments and decisions made by the Board of Directors in relation to the management of risks arising from prejudicial actions which the Board of Directors has become aware of.

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 Annual Financial Report as at December 31<sup>st</sup>, 2017, the half-yearly financial Report as at June 30<sup>th</sup>, 2018, as well as at the date of the Board Meeting to approve the Annual Financial Report as at December 31<sup>st</sup>, 2018.

During the Financial year the Control and Risk Committee also gave its opinion, among other things, (i) as to the approval of the annual plan prepared by the head of the Internal Audit function and assessed, together with the financial reporting officer and having heard the independent auditors and the Board of Statutory Auditors, the correct application of the accounting standards and their consistency for the purposes of the preparation of the consolidated financial statements, as well as (ii) as to the approval of the transaction with the related party Diego Della Valle & C. S.r.l., concerning the insourcing of the e-commerce business managed by Italiantouch S.r.l. at the Tod's Group.

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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 Directors 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.

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

With reference to Application Criterion 1.C.1 lett. b), of the Code, it should be noted that, by the Framework Resolution that had been passed at the meeting held on April 19<sup>th</sup> 2018, the Company's Board of Directors, adopting the recommendations laid down in the Corporate Governance Code, established that it is the responsibility of the Board of Directors to define, under strategic, industrial and financial plans, the nature and level of risk consistent with the Company's key objectives, including, in its assessments, all such risks as may become of importance within the scope of medium-to long-term sustainability of the Company's business.

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.

By the abovementioned Framework Resolution of April 19<sup>th</sup>, 2018, and after obtaining the favourable opinion of the Control and Risk Committee, the Board of Directors also decided to amend the Guidelines, in order to bring them into line with the provisions of Law 179 of November 30<sup>th</sup>, 2017, governing whistleblowing.

The full updated text of the Guidelines is published in the Corporate Governance section at the following web site:



**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 Procedure for the identification of internal dealing persons and the disclosure of transactions carried out by them (so-called "*Internal Dealing Procedure*"), the Procedure for the creation, management and updating of the Group's Register of persons who have access to the Company's 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 regulation for the internal management and public disclosure of documents and information concerning Tod's S.p.A. and the Tod's Group, 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).

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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 Directors 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, among other things, at the meetings held to approve the Half Year Financial Report at June 30<sup>th</sup>, 2018 and the consolidated earnings figures for the Group in the 2018 financial year (Board of Directors meeting held on January 23<sup>rd</sup>, 2019); in particular, the assessment was adopted on the basis of the report prepared by the Directors 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 March 11<sup>th</sup>, 2019, 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 Directors in charge of the Internal Control and Risk Management System**

The Board of Directors, with the aforementioned Framework Resolution of April 19<sup>th</sup>, 2018, has appointed, *inter alia*, the Executive Directors Andrea Della Valle and Umberto Macchi di Cellere to the positions of Directors appointed to the Internal Control and Risk Management System, to perform 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 Directors 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 January 23<sup>rd</sup>, 2019 they illustrated to the Board of Directors their 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 Directors 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.

Lastly, the Board was also given information during the Board Meeting held on March 11<sup>th</sup>, 2019, 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 Directors 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 Directors 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 their tasks or of which they have, 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 19<sup>th</sup>, 2018. 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, 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors 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 Directors 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.

The Company's Guidelines, which were finally updated on April 19<sup>th</sup>, 2018, provide for the appointment of the Head of the Internal Audit function to also supervise the Whistleblowing Function, thus assisting the Director responsible for the

Whistleblowing System (the CEO and Director responsible for Internal control, Andrea Della Valle) in considering any possible irregularity and/or violation reported by the staff members working for the companies in the Tod's Group, while also carrying out inspections aimed at reconstructing the facts, in accordance with the procedure described in the Guidelines. The irregularities and/or violations detected in this manner and any order issued in this regard are then illustrated in the related internal audit reports.

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During the Financial year, the Head of the Internal Audit Function, in consultation with the Board of Statutory Auditors and the Directors 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 24<sup>th</sup>, 2018.

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 Directors, 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 11<sup>th</sup>, 2019 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 23<sup>rd</sup>, 2019 approved the Audit Plan 2019 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 and risk management 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 Law no. 186/2014, Law no. 68/2015, Law no. 69/2015, Law no. 199/2016 and Legislative Decree no. 38/2017.

In particular, by adopting the Compliance Program, the Issuer 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 the Company, 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 April 19<sup>th</sup>, 2018, to take due account of the provisions of Law no. 186/2014, Law no. 68/2015, Law no. 69/2015, Law no. 199/2016, Legislative Decree no. 38/2017, as well as of the amendments made to Article 25-*duodecies* and Article 25-*terdecies*, which, as is generally known, made additions to the crimes falling within the scope of Legislative Decree no. 231/01 (so-called "predicate offences"), concerning:

- self-money laundering (Law no. 186/2014);
- environmental crimes (such as environmental pollution, causing an environmental disaster, trafficking in and abandoning highly radioactive material, the prevention of inspections and failure to reclaim), under Law no. 68/2015 bearing "Provisions regarding environment";
- crimes against Public Authorities and corporate crimes, under Law no. 69/2015 bearing "Provisions regarding crimes against Public Authorities, organised criminal groups and false accounting fraud";
- labour trafficking and exploitation, under Law no. 199/2016 bearing "Provisions governing the fight against the phenomenon of unregistered labour, the exploitation of agricultural workers and regarding the realignment of pay in the agricultural sector";
- corruption between private persons (Legislative Decree no. 38/2017); and finally:
- illegal immigration (Article 25-*duodecies*), racism and xenophobia (Article 25-*terdecies*).

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 19<sup>th</sup>, 2018, and comprises the following persons: Independent Board Member Romina Guglielmetti (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., Tod's Korea Inc., Roger Vivier S.p.A., Roger Vivier France s.a.s. and, finally, Italiantouch S.r.l., 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 the accounts of the Issuer's and its other subsidiaries is Pricewaterhouse Coopers 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 and other corporate roles and functions**

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. Umberto Macchi di Cellere, 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 Directors Responsible for the Internal Control and Risk Management System, the Chairmen of the Board of Statutory Auditors, of the Control and Risk Com



mittee 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 19<sup>th</sup>, 2018, 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), Mrs. Sveva Dalmasso 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. As noted, the Board of Directors subsequently appointed

the Independent Directors Committee to also supervise any sustainability issue connected with the conduct of the business activity and any interaction with all of stakeholders.

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 the Issuer’s subsidiaries, to transaction with the Issuer’s associated companies (provided related parties of the Issuer 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 16<sup>th</sup>, 2016, which, in the implementation of the Consob recommendation in Communication DEM/10078683 of September 24<sup>th</sup>, 2010, and after considering the existing Procedure on Related Parties Transactions and its application in practice, found that it was not necessary to make any changes to the Procedure itself, since it deemed that the current Procedure is 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 Director's Decision no. 13 of January 24<sup>th</sup>, 2019, 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.

A slate where the foregoing statutory requirements have not been observed is deemed not to have been presented.

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 (pursuant to Article 123- bis, paragraph 2, letter (d), of the TUF)**

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 2016 to 2018 by an Ordinary Shareholders' Meeting resolution on April 20<sup>th</sup>, 2016. 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 1.81% 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 91.71% 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 8.15% 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 at December 31<sup>st</sup>, 2018.

During the Financial Year, the Board of Statutory Auditors met nine times, and six meetings are scheduled for the current financial year (of which two 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, specialising in corporate crisis and reorganisation, as well as in corporate and tax advisory.

**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 two accounting firms 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.

### **Diversity criteria and policy**

The Company has applied diversity criteria, including gender criteria, to the composition of the Board of Statutory Auditors in order to ensure that its members have an adequate level of competence and professionalism.

More specifically, as regards gender diversity, it should be noted that a third of the members of the Board of Statutory Auditors holding office (i.e. 1 Standing Auditor and 1 Alternate Auditor), which were appointed by the Shareholders’ Meeting held on April 19<sup>th</sup>, 2018, belongs to the less represented gender. In any case the Company reserves the right to consider the application of the recommendation reported in the new 2.P.4 and 8.P.2 principles of the Code, concerning gender diversity criteria applicable “*from the beginning of the first term of office of these bodies following the cessation of the effects of Law no. 120 of July 12<sup>th</sup>, 2011*”, by the expiry of the subsequent terms of office of the Board of Directors and of the Board of Statutory Auditors.

Without prejudice to the fundamentally important requisites of competence, honesty, professionalism and independence of Statutory Auditors, the Company has also determined other diversity criteria which ensure that the control body as composed is fit to perform the supervisory duties for which it is responsible.

In particular, in accordance with Article 123-*bis*, paragraph 2, letter d-*bis*) of TUF, the Board of Statutory Auditors adopted, by a resolution passed on March 6<sup>th</sup>, 2018, its own diversity policy in relation to the composition of the governing body of Tod’s S.p.A.. This policy is aimed at identifying an optimal composition of the Board of Statutory Auditors, so that the latter may perform its supervisory duties in the most effective manner, making decisions that may actually benefit from the contribution of a number of persons with qualified and diversified skills, capable of examining the issues being dealt with from different perspectives.

Specifically, the diversity policy adopted by the Board of Statutory Auditors provides for the optimal composition of the Company’s control body to meet the following requirements, which are additional to the honorability, professionalism and independence requirements prescribed by law:

- (i) most of the standing Statutory Auditors should be registered with the specific register;
- (ii) the composition of the Board of Statutory Auditors must in any case ensure gender balance in accordance with the provisions of law and of the Articles of Association in force from time to time, both upon appointment and during the term of office;
- (iii) it would be necessary to ensure a balanced combination of different age groups within the Board of Statutory Auditors, so as to allow a balanced plurality of perspectives and expertise;

(iv) the majority of the members of the Board of Statutory Auditors should possess competence in the luxury business sector or in sectors of businesses that are closely related to those conducted by the Company or specified in the corporate purpose;

(v) the Statutory Auditors should be persons who have such professional and/or academic and/or institutional background as to realise a mix of skills and expertise that are different and complementary between each other and that, by their features, may allow an optimal performance of the supervisory duties assigned to the Board of Statutory Auditors. Specifically:

a. the board members with a professional background should have gained competence and experience in positions of responsibility with accredited professional firms, consulting firms or other organisations and have provided their professional services in the fields of economy, accounting, law (with specific reference to commercial, corporate, tax, insolvency and financial markets law), finance, as well as in the field of risk management, with specific regard to business activities;

b. the board members with an academic and/or institutional background should possess such competence and expertise, which, by their features, may allow an optimal performance of the supervisory duties assigned to the Board of Statutory Auditors;

(vi) the Chairman should be an authoritative and experienced person capable of ensuring, during the term of office, an appropriate coordination of the proceedings of the Board of Statutory Auditors with the activities carried out by the other persons involved for various reasons in the Company's internal control and risk management system, in order to maximise efficacy and efficiency of internal control and reduce the duplication of activities. The Chairman should ensure a correct, efficient and effective management of the proceedings of the Board of Statutory Auditors, within which the Chairman is responsible for creating a strong spirit of cohesion, while being guarantor for the Board's work all Shareholders and stakeholders.

In order for the Company's Board of Statutory Auditors to be able to perform its supervisory duties in the most effective manner, it is essential that all Statutory Auditors meet the diversity requirements specified above, as well as ensure such available time as may be adequate for a diligent and responsible performance of its duties, taking account of the number and type of the positions held in administration and control bodies of other companies, in compliance with the regulations in force.

The abovementioned policy intends to direct the candidates designated by the Shareholders upon the renewal of the Board of Statutory Auditors, ensuring an appropriate consideration of the benefits that might be obtained from an optimal composition of the control body, in line with the various diversity criteria reported above.

\* \* \*

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 19<sup>th</sup>, 2018.

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 20<sup>th</sup>, 2016, during the Financial year and, lastly on February 13<sup>th</sup>, 2019; the outcome of the audits carried out after their appointment was promptly provided to the Board of Directors, which published it by issuing a notice 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, the Executive Committee, the 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. It should also be noted that, during the Financial Year, the delegated bodies proceeded with a specific induction session to the benefit of the Committee of Independent Directors, as well as of the Board of Statutory Auditors, concerning the sustainability project development plan adopted by the Group for the three-year period from 2018 to 2020.

In accordance with Application Criterion 8.C.3, the fees payable to statutory auditors are proportional to the commitment required of them and to the importance of the position held, as well as to the Company's size and sector.

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.4 of the Code.

Lastly, it is hereby confirmed that, in compliance with Application Criteria 8.C.5 and 8.C.6, 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. Furthermore, meetings are also scheduled on a periodical basis, and in any case, at least annually, which are jointly held by the bodies responsible for internal control and risk management (Control and Risk Committee, Board of Statutory Auditors, Supervisory Body, Internal Audit Function and responsible Directors).

## 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 19<sup>th</sup>, 2018 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's Articles of Association allow the Shareholders' Meeting, both ordinary and extraordinary, to be called, at the discretion of the Board of Directors, in a single call, pursuant to Article 2369, paragraph 1, of the Italian Civil Code, or in more than one call, pursuant to Article 2369, paragraph 2 and ff., of the Italian Civil Code.

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.

By resolution dated April 21<sup>st</sup>, 2017, the Extraordinary Shareholders' Meeting amended Article 7 of the Company's Articles of Association, providing for the introduction of increased voting rights regulated by Article 127-*quinquies* of TUF. This provision, which was introduced by Decree Law 91 of 24 June 2014, allows listed companies to have an instrument which gives an incentive to those Shareholders who have decided to give preference to a lasting investment in a listed company, strengthening their role in its governance by increasing their voting rights.

Under this provision, each Shareholder who has held the shares for an uninterrupted period of not shorter than twenty-four months from the date of registration in the special list kept by the Company, is allowed to exercise an increased voting rights for each share.

For more information, reference should be made to the Rules for increased voting rights, which is available in the section "*Corporate Governance/Increased Voting Right*" of the Company's website [www.todsgroup.com](http://www.todsgroup.com); in accordance with Article 143-*quater* of the Issuer Regulation, the personal details of the Shareholders who have applied for the registration in the special list are also published in the abovementioned section, specifying the related shareholdings, which in any case exceed the threshold set out in Article 120, paragraph 2, of TUF, and the record date.

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, pursuant to Article 12 of the Articles of Association and 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 19<sup>th</sup>, 2018, which – *inter alia* – renewed the Board of Directors, the controlling shareholder gave adequate public notice of the motions for board resolution as to the number of Board members and their fees, as well as to any possible authorization under Article 2390 of the Italian Civil Code; 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.

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.

During the Financial year a Shareholders' Meetings was held, on April 19<sup>th</sup>, 2018 which 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, during the Financial Year, (i) there were no significant changes in the Issuer's ownership structure and (ii) the capitalisation of the Company's shares – as observed by Borsa Italiana – decreased from about Euro 2,011.15 million at December 29<sup>th</sup>, 2017 to about Euro 1,376.12 million at December 28<sup>th</sup>, 2018.

It should be noted that, on 14 December 2018, Diego Della Valle & C. S.r.l., which held a stake of 9.611% of the Company's share capital on the reporting date, entered into an "Accelerated Shares Purchase" transaction with Crédit Agricole Corporate and Investment Bank ("CACIB") by executing a "physically settled share forward" contract; under this contract, CACIB undertook to purchase, in the meantime, up to a maximum of 1,700,000 ordinary shares of the Company (equal to 5.137% of the share capital) on the market, while Diego Della Valle & C. S.r.l. undertook to repurchase these shares from CACIB.

The stake currently held by Diego Della Valle in the Issuer, both directly and indirectly, increased from 60.66% to 62.65%. Therefore Diego della Valle continues to control the Company under Article 93 of TUF.

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

The Company has implemented the following corporate government practices beyond what is envisaged pursuant to the applicable statutory and regulatory provisions:

with reference to the comment on Article 4 of the Code, which recommends that the Board of Directors of companies belonging to the FTSE-Mib index consider whether to establish a specific committee dedicated to supervising sustainability issues connected with the conduct of the business activity and its interactions with all of its stakeholders, or concentrate or distribute these functions between the committees that have already been set up, the Company has deemed it appropriate and efficient, even if it is not required to comply with the recommendations in question, to assign this responsibility to one of the already existing Board committees. Therefore, by a Framework Resolution passed on April 19<sup>th</sup>, 2018, the Company's Board of Directors confirmed its decision to appoint the Independent Directors Committee to supervise sustainability issues.

Specifically, the Committee will be responsible for: (a) considering and assessing the sustainability policy aimed at creating value over time for Shareholders and any other stakeholder, in accordance with sustainable development principles, as well as with regard to the sustainability guidelines and targets that are submitted to the Board of Directors on an annual basis; (b) considering the implementation of the sustainability policy on the basis of the instructions given by the Board of Directors; (c) considering and assessing sustainability projects, including in relation to single projects; (d) considering the Company's non-profit strategy and its implementation, including in relation to single projects, as well as any non-profit initiative submitted to the Board of Directors; (e) giving its opinion, at the request of the Board of Directors, on other sustainability issues.

Furthermore, with reference to the recommendation reported in the comment on Article 7 of the Code, which is also referred to issuing companies belonging to the FTSE-Mib index, the Company's Board of Directors decided, by a resolution dated October 24<sup>th</sup>, 2016, to establish a specific whistleblowing system, in order to implement the Company's internal control and risk management system, providing it with a specific and reserved reporting channel, which is also capable of protecting the identity of the reporting party and appointing, for this purpose, the Vice Chairman Andrea Della Valle as Director responsible for the whistleblowing system.

The whistleblowing system was implemented during the Financial Year following the amendments made to Article 6 of Legislative Decree no. 231/01 under Law no. 179/2017.

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

There have been no changes in the Company governance structure between the closing date of the financial year and the approval date of this Report.

## 19. CONSIDERATIONS ON THE CORPORATE GOVERNANCE COMMITTEE'S CHAIRMAN'S LETTER OF 21 DECEMBER 2018

The Company received a letter dated December 21<sup>st</sup>, 2018, from the Chairman of the Corporate Governance Committee, which was submitted for consideration from all Directors and Statutory Auditors, within the sphere of their responsibilities.

The recommendations provided in the abovementioned letter were examined by all the independent directors at the meeting held on January 23<sup>rd</sup>, 2019, as well as, more in detail and within the sphere of the related responsibilities, by the Compensation Committee at the meeting held on March 11<sup>th</sup>, 2019. The abovementioned recommendations were also specifically considered by the governing body at the time of the self-assessment procedure (at the meeting held on March 6<sup>th</sup>, 2019), as well as of the approval of this Report (at the meeting held on March 11<sup>th</sup>, 2019).

As already reported in the previous paragraphs, it should be noted that:

- with reference to the opportunity to set a time limit for the information to be provided before Board meetings, the Board of Directors has decided not to set a strict time limit for sending the documentation to be provided before Board meetings, considering that this time limit might reasonably vary, from time to time, depending on each case and in relation to the specific documentation that must be submitted to the Board. This decision was finally confirmed by the Board of Directors at the meeting held on March 6<sup>th</sup>, 2019, at the end of the periodic self-assessment process, during which all board members also gave their favourable opinion about the fact that the information required before Board meetings was provided in a complete, clear, easy-to-use and prompt manner, thus allowing each board member to get adequately ready for the board meetings and act in an informed manner, on the one hand, and on the other, the usefulness of the IT "sharefile" platform implemented by the Company for sending any document and information required for the meetings, as well as its effectiveness against the risk of cybercrimes;
- with reference to **independence criteria**, the Board of Directors agrees on the importance of ensuring a balanced presence of non-executive and independent Directors within the governing body, the latter performing an important function to encourage the exchange of opinions and contribute to monitoring the decisions made by executive directors. For this reason, as also specified in paragraphs 4.3 and 4.6 above, the Board establishes, on a periodic basis, whether its independent members continue to meet the independence requirements set out in (i) Article 148, paragraph 3, of TUF, as well as in (ii) Article 3 of the Corporate Governance Code, whose criteria have been applied on the basis of the clarifications reported in paragraph 4.6, in compliance with the principle of substance over form;
- with reference to the recommendations aimed at ensuring greater transparency about the methods of performing the **board review**, it should be noted that the self-assessment is carried out by the Board of Directors on a periodic basis, subject to the performance of a structured process described in paragraph 4.3, set up by the Chairman of the Control and Risk Committee through specific questionnaires submitted to all Board members on a periodic basis. Furthermore, in complying with the Chairman of the Corporate Governance Committee's recommendation, all the Independent Directors took part in a board review process. More specifically, the independent directors, who met on January 23<sup>rd</sup>, 2019, examined the draft self-assessment questionnaire drawn up by the Company's administrative office in depth and made their personal contribution to the document, drawing attention to issues deserving further attention. After a full discussion the Independent Directors approved the final version of the self-assessment questionnaire and, as usual, instructed the Chairman of the Control and Risk Committee to supervise the self-assessment procedure;
- finally, with reference to the recommendations concerning the **remuneration payable to executive**

directors, it should be noted that the Board of Directors and the Compensation Committee have established that the Company's remuneration policies are adequate, with a view to pursuing the objective of the sustainability of the Company's business in the medium- to long-term.

Milan, March 11<sup>th</sup>, 2019

The Chairman of the Board of Directors

Mr. Diego Della Valle

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE**

SHARE CAPITAL STRUCTURE				
	No. of 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	No. of outstanding instruments	Classes of shares serving the conversion/exercise	No. of shares serving the conversion/exercise
Convertible Bonds	-	-	-	-
Warrants	-	-	-	-

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 %
	Diego Della Valle & C. Srl	11.600%	11.600%
	Diego Della Valle	0.761%	0.761%
Caisse de Dépot et Placement du Quebec	Caisse de Dépot et Placement du Quebec	5.155%	5.155%
ARNAULT BERNARD	Delphine s.a.s.	3.462%	3.462%
STRATEGIC CAPITAL ADVISORS LIMITED	GLOBAL LUXURY INVESTMENTS S. A. R. L.	0.740%	0.740%

**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 <sup>1</sup>	Della Valle Diego	1953	05/08/2000	19/04/2018	31/12/2020	M	X				6	7/7									p
CEO	Della Valle Andrea	1965	05/08/2000	19/04/2018	31/12/2020	M	X				3	7/7									M
CEO <sup>2</sup>	Macchi di Cellere Umberto	1964	19/04/2018	19/04/2018	31/12/2020	M	X					4/7							4/4		M
Director	Abete Luigi	1947	07/10/2000	19/04/2018	31/12/2020	M		X	X	X	6	5/7			1/2	M					
Director	Boscarato Maurizio	1941	07/10/2000	19/04/2018	31/12/2020	M		X			4	7/7	11/11	M							
Director	Della Valle Emanuele	1975	07/10/2000	19/04/2018	31/12/2020	M		X			1	3/7									
Director	Macellari Emilio	1958	05/08/2000	19/04/2018	31/12/2020	M	X				6	7/7									M
Director	Saviotti Pierfrancesco	1942	07/10/2000	19/04/2018	31/12/2020	M		X	X	X	2	3/7						1/2			
Director <sup>3</sup>	Manes Vincenzo	1960	22/04/2015	19/04/2018	31/12/2020	M		X	X	X	6	7/7	7/11	M	2/2	P	2/2	P			
Director	Oglio Cinzia	1970	22/04/2015	19/04/2018	31/12/2020	M		X				7/7									
Director	Guglielmetti Romina	1973	22/04/2015	19/04/2018	31/12/2020	M		X	X	X	7	7/7	11/11	P				2/2	M		
Director	Dalmasso Sveva	1956	22/04/2015	19/04/2018	31/12/2020	M		X	X	X	1	7/7			2/2	M	1/2	M			
Director	Del Torchio Gabriele	1951	19/04/2018	19/04/2018	31/12/2020	M		X	X	X	1	3/7									
Director	Prandelli Emanuela	1970	19/04/2018	19/04/2018	31/12/2020	M		X	X	X	1	4/7									
Director	Capparelli Marilù	1974	19/04/2018	19/04/2018	31/12/2020	M		X	X	X	1	4/7									
----- DIRECTORS WHO CEASED FROM THE OFFICE DURING THE RELEVANT FINANCIAL YEAR -----																					
Chief Executive Officer	Sincini Stefano	1958	28/04/2003	22/04/2015	18/04/2018	M	X					3/7								1/4	M
Director	Cambri Luigi	1955	27/94/2005	22/04/2015	18/04/2018	M		X	X	X		3/7	4/11	P							
Director	Scannavini Michele	1959	22/04/2015	22/04/2015	18/04/2018	M		X				2/7									
No. of meetings held during the relevant financial year: 7						Control and Risk Committee: 11				Compensation Committee: 2			Independent Directors Committee: 2			Executive Committee: 4					
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. 20273 dated January 24 <sup>th</sup> , 2018)																					

## 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**

<b>Board of Statutory Auditors</b>									
<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>
<b>Chairman</b>	Pusterla Giulia	1960	19/04/2013	20/04/2016	31/12/2018	m	X	9/9	6
<b>Standing auditor</b>	Colombo Enrico	1959	26/04/2001	20/04/2016	31/12/2018	M	X	8/9	8
<b>Standing auditor</b>	Redaelli Fabrizio	1960	26/04/2001	20/04/2016	31/12/2018	M	X	9/9	10
<b>Alternate auditor</b>	Gaetani Gilfredo	1957	26/04/2001	20/04/2016	31/12/2018	M	X		
<b>Alternate Auditor</b>	Amato Myriam	1974	19/04/2013	20/04/2016	31/12/2018	m	X		
<b>..... STATUTORY AUDITORS WHO CEASED FROM THE OFFICE DURING THE RELEVANT FINANCIAL YEAR</b>									
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
<b>Number of meetings held during the relevant financial year: 9</b>									
<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 2019 to 2021 (pursuant to Article 148 TUF) is equal to 1.0% (Consob Director's Resolution dated January 24<sup>th</sup>, 2018)</p> <p>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. 19499 dated January 28<sup>th</sup>, 2016)</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. 6/7; 7/7 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 2018

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.
	Sole Director	DI.VI. Finanziaria di Diego Della Valle & C S.r.l.
	Director	RCS MediaGroup S.p.A.
	Director	L.V.M.H. Moet Hennessy Louis Vuitton
	Sole Director	DI.VI. Immobiliare Holding Srl
	Sole Director	Fondazione Della Valle Onlus
	Sole Director	DDV Partecipazioni S.r.l. (*)
	Sole Director	FA.DEL. S.r.l. (*)
Luigi Abete	Chairman	Banca Nazionale del Lavoro S.p.A.
	Chairman	Civita Cultura Holding S.r.l.
	Director	Italian Entertainment Group S.p.A.
	Director	ArtigianCassa S.p.A.
	Chairman	Civita Mostre S.r.l.
	Director	Opera Laboratori Fiorentini S.p.A.
	Director	Italian Entertainment Group S.p.A. (*)
	Director	Cinecittà World S.p.A. (*)
	Chief Executive Officer	A.BE.T.E. S.p.A. (*)
	Director	Askaneews S.p.A. (*)
	Director	Il Sole 24 Ore S.p.A. (*)
	Director	Sofim S.r.l. (*)
Emilio Macellari	Chairman	Roger Vivier S.p.A.
	Chairman	Italiantouch S.r.l.
	Director	Marcolin S.p.A.
	Director	Italian Entertainment Group S.p.A.
	Chairman	DDV Partecipazioni S.r.l.
	Director	3 Cime S.p.A.
	Director	SOFIM 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. (*)
Pier Francesco Saviotti	Director and Chairman of the Executive Committee	Banco BPM S.p.A.
	Director	Banca Akros (Banco BPM S.p.A. Group)
Romina Guglielmetti	Independent Director	Servizi Italia S.p.A.
	Independent Director	ACF Fiorentina S.p.A.
	Independent Director	Pininfarina S.p.A.
	Independent Director	Compass Banca S.p.A.
	Independent Director	Firenze Viola S.r.l.
Independent Director	MBFACTA S.p.A.	

	Standing Auditor	Enel S.p.A.
Emanuele Della Valle	Director	Italian Entertainment Group. S.p. .A.
Vincenzo Manes	Chairman	Intek Group S.p.A.
	Chairman	I2 Capital Partners SGR S.p.A.
	Chairman of the Supervisory Board	KME AG
	Director	Compagnia Immobiliare Italiana S.p.A.
	Member of the Supervisory Board	Quattrodue Holding B.V.
	Director	Class Editori
Maurizio Boscarato	Chairman of the Board of Statutory Auditors	Silga S.p.A.
	Chairman of the Board of Statutory Auditors	Unicredit Leasing S.p.A.
	Standing Auditor	Giampaoli Industria Dolciaria S.p.A.
Gabriele Del Torchio	Independent Board Member	OVS S.p.A.
Emanuela Prandelli	Independent Board Member	Esprinet S.p.A.
Maria Capparelli	Independent Director	RCS Mediagroup S.p.A.

(\*) offices ceased as of today's date