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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

financial year January 1st – December 31st 2013

Approved by the Board of Directors of March 11th, 2014

TOD'S S.p.A. – Share Capital Euro 61,218,802 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 fourth edition of the “Format for the corporate governance and ownership structure report” disseminated by the Market Operating Company in January 2013, the Tod’s S.p.A. Board of Directors publishes the following complete report on its corporate governance system. Reference is made here to the principles contained in the Corporate Governance Code of Listed Companies in the edition published by the Corporate Governance Committee of Borsa Italiana on December 5th, 2011 (also referred to hereinafter as the “Code”).

This report, approved on March 11th, 2014, 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, as well as in the “Corporate Governance” section of the Company’s web site 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 bis, paragraph 1, Consolidated Law on Finance) 6	6
a) Structure of share capital (pursuant to Art. 123-bis, paragraph 1, letter a), TUF)	7
b) Restrictions to shares transfer (pursuant to Art. 123-bis, paragraph 1, letter b), TUF)	7
c) Major shareholders (pursuant to Art. 123-bis, paragraph 1, letter c), TUF)	7
d) Instruments allowing holders special rights (pursuant to Art. 123-bis, paragraph 1, letter d), TUF)	7
e) Employees stock ownership: how to exercise voting rights (pursuant to Art. 123-bis, paragraph 1, letter e), TUF)	7
f) Restrictions on voting rights (pursuant to Art. 123-bis, paragraph 1, letter f), TUF)	7
g) Shareholders' agreements (pursuant to Art. 123-bis, paragraph 1, letter g), TUF)	7
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)	7
i) Proxies for Share Capital increase and authorization to purchase treasury shares (pursuant to Art. 123-bis, paragraph 1, letter m), TUF)	8
l) Management and coordination activities (pursuant to Art. 2497 et seq. Italian Civil Code)	8
3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, TUF)	9
4. BOARD OF DIRECTORS	10
4.1 Appointment and substitution of Directors (pursuant to Art. 123-bis, paragraph 1, letter l), TUF)	10
4.2 Membership (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)	11
4.3 Functions of the Board of Directors (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)	13
4.4 Delegated bodies	18
4.5 Other Executive Directors	25
4.6 Independent Directors	25
4.7 Lead Independent Director	26
5. HANDLING OF CONFIDENTIAL INFORMATION	27
6. BOARD OF DIRECTORS COMMITTEES (pursuant to Art. 123-bis, paragraph 2, letter d), TUF)	27
7. APPOINTMENT COMMITTEE	28
8. COMPENSATION COMMITTEE	28
9. DIRECTORS' COMPENSATION	30
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)	33
10. CONTROL AND RISK COMMITTEE	34
11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM	35
11.1 <u>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</u>	35
11.2 Executive Directors in charge of the Internal Control and Risk Management System	38
11.3 Head of Internal Audit	39
11.4 Compliance Program pursuant to Legislative Decree no. 231/2001	41
11.5 Independent auditor	42
11.6 Officer in Charge of Preparing Company Accounts	42
11.7 Coordination of persons involved in the Internal Control and Risk Management System	43
12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES	43
13. APPOINTMENT OF STATUTORY AUDITORS	46
14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS	46
15. SHAREHOLDER RELATIONS	49
16. SHAREHOLDERS' MEETINGS (pursuant to Art. 123-bis, paragraph 2, letter c), TUF)	49
17. ADDITIONAL CORPORATE GOVERNANCE PRACTICES (pursuant to Art. 123-bis, paragraph 2, letter a), TUF) 51	51
18. CHANGES SINCE THE END OF THE REPORTING PERIOD	51
TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE	52
TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE	53
TABLE 3: BOARD OF STATUTORY AUDITORS STRUCTURE	54
APPENDIX A TO THE ANNUAL CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT FOR 2013	55

GLOSSARY

Corporate Governance Code (the “Code”): The Corporate Governance Code for Listed Companies, approved by the Corporate Governance Committee in December 2011 and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

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

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

Issuer/Company: Tod’s S.p.A.

Financial year: the financial year running from January 1st to December 31st, 2013, to which this Report pertains.

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

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

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

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

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

1. PROFILE OF ISSUER

1.1 Overview of the Company's corporate governance system.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

The following sections provide more detailed information on the ownership structure at the date of March 13th, 2013 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 61,218,802.00, (sixty one million two hundred eighteen thousand eight hundred two) divided into 30,609,401 (thirty million six hundred and eight thousand four hundred one) ordinary shares.

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 2% of the subscribed and paid-in share capital are listed in Table no. 1 attached as an appendix to the Report.

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

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

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

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

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

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

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

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

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

There are no significant agreements in place to which the Issuer or other group Company is a party which become effective, are amended or terminate if a change of control occurs involving the Company,

except for a loan agreement entered into on July 30th, 2004 amounting to Euro 15,000 thousand (the corresponding exposure of which amounts to about Euro 1,821 thousands at the approval date of this Report), and that is terminated automatically if a change of control occurs involving the Issuer, and two bonds issued by the subsidiary Holpaf B.V. whose negative covenants include transfer of Company shares to third parties.

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

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

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

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

In accordance with Article 2357 and following articles of the Italian Civil Code, the Ordinary Meeting held on April 19th, 2013 authorized the Board of Directors to purchase treasury shares until one tenth of the Share Capital is reached, over a period of 18 months commencing from the date the resolution was passed; the authorization also includes the power to assign the treasury shares which may be purchased, not subject to time limits, even before completing the purchases.

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

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

Neither the Issuer nor its subsidiaries held Tod's S.p.A shares as at December 31st, 2013, 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 Tod's S.p.A. is subject to control by DI VI Finanziaria di Diego Della Valle & C. S.r.l. (in accordance with Article 93 of TUF) neither the latter Company nor any other party has imposed

guidelines and/or interfered in the management operations of Tod's S.p.A. (or any of the companies controlled by Tod's S.p.A.): in fact, therefore, management of the Issuer and its subsidiaries is not managed and coordinated by third parties outside the Tod's S.p.A. Group.

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

In accordance with the principles of corporate governance – and as illustrated in greater detail below – the transactions of a particular strategic, economic, equity and financial significance executed by the Tod's S.p.A. Group are subject to prior review and exclusive approval by the Board of Directors of Tod's S.p.A.; the Board of Directors – as verified lastly on 6th March 2013 – comprises of no. 4 Directors that meet the (non-executive and) independence requirements, based on the principles established under Article 3 of the Code of Corporate Governance.

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

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

* * *

It is specified that:

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

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

3. COMPLIANCE (pursuant to Art. 123-bis, paragraph 2, TUF)

As already outlined in the preceding annual Reports on the Corporate Governance and Ownership structure, the Board of Directors of Tod's S.p.A. adopted a series of resolutions, effective from the Meeting held on November 13th, 2006, designed to ensure the actual implementation of the principles established in the Code of Corporate Governance (accessible to the general public on the Borsa Italiana web site at the following address: www.borsaitaliana.it), 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 13th, 2013 meeting, the Board of Directors of the parent company Tod's S.p.A. identified the following companies as “strategic subsidiaries”: Tod's France Sas, Tod's Japan KK, Deva Inc., Tod's Hong Kong Ltd. and Tod's (Shanghai) Trading Co. Ltd., which are respectively subject to their own national

legislation. In the opinion of the Board of Directors, this circumstance does not have a material impact on the Issuer's governance structure.

4. BOARD OF DIRECTORS

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

In accordance with Article 147-ter of the Consolidated Law on Finance (TUF), the Articles of Association of Tod's S.p.A. (Article 17), as amended by resolution of the Board of Directors of March 6th, 2013, envisage that the Board of Directors is to be elected according to the voting slate procedure, in compliance with applicable gender balance laws and regulations.

Shareholders owning a shareholding that is at least equal to the shareholding established by Consob, as required by law and by the regulations, and that corresponds to 1% of the Share Capital at the approval date of this Report are entitled to present the slates of nominees to allocate the Directors to be elected, as duly established by Art. 144-quater of the Issuer Regulation and by Consob Resolution no. 18775 of January 29th, 2014; ownership of the aforesaid minimum participating interest is established pursuant to law, taking due account of the shares registered in the name of the Shareholder in question, as at the date on which the slates are filed with the Company.

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

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

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

For three consecutive terms beginning with the first time that the new Board of Directors is elected after August 12th, 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 slate must have obtained in the Shareholders Meeting.

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

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

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

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

In compliance with criterion 5.C.2 of the Corporate Governance Code, please note that the Board of Directors, having considered the particular ownership structure as well as the system of delegated powers currently implemented within the Board of Directors, at the date this Report is approved, found no need at present to adopt a specific plan for the substitution of executive Directors; 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 19th, 2012, which set the total number of directors' seats at 12 (twelve). Its term will expire on the date of the Shareholders' Meeting held to approve the Financial Statements for the financial year ending on December 31st, 2014.

The relevant information concerning each Director is illustrated in Table no. 2 attached as an Appendix hereto. Be advised that all members of the current Board of Directors, on proposal of the majority Shareholder DI. VI. Finanziaria di Diego Della Valle & C. S.r.l., were selected from the sole slate presented by the same majority Shareholder with a resolution approved by the Shareholders' Meeting held on April 19th, 2012 and with a percentage of favourable votes of 88,1309% on the total share capital present and voting in the Meeting.

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

1) Diego Della Valle, Chairman and Chief Executive Officer, was born in Sant'Elpidio a Mare (FM) on December 30th, 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 26th, 1965. He began his training and preparation in the United States..

3) Fabrizio Della Valle, Director with executive authority – who is also responsible for the Internal Control and Risk Management System – as well as “procuratore” (attorney-in-fact), was born in Sant'Elpidio a Mare (FM) on October 23rd, 1957. Graduated in Business and Economics, he has been a consultant to the Group since 1984. He has been a member of the Board of Directors of Tod's S.p.A. since 2000.

4) Emilio Macellari, director with executive authority, “procuratore” (attorney-in-fact) and in charge of investor relations, was born in Civitanova Marche (MC), on March 11th, 1958. Graduated in law and political science, he is an independent professional and the owner of his own consulting firm. He has worked with the Group since 1976, handling corporate and tax issues. He sits on the boards of directors of various foreign subsidiaries and has been a member of the Company Board of Directors since 2000.

5) Stefano Sincini, Executive Director, was born in Macerata (MC), on 3rd November 1958, and is responsible, inter alia, for the Internal Control and Risk Management System. He joined the company in 1984 after graduating in banking and finance. He has been General Manager since the early 1990's, and Managing Director since 2003. He sits on the boards of directors of various foreign subsidiaries.

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

7) Maurizio Boscarato, director without executive authority, was born in Ancona (AN) on March 27th, 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 7th, 2000.

8) Luigi Cambri, independent director without executive authority, was born in Taranto (TA) on September 10th, 1955. Graduated in law, he is a notary public (“notaio”) and operates his own firm in Milan. He has been a member of the Tod's S.p.A. Board of Directors since April 27th, 2005.

9) Luca Cordero di Montezemolo, independent director without executive authority, was born in Bologna (BO) on August 31st, 1947. Graduated in law, he is Chairman of Ferrari S.p.A. He has been the Chairman of Confindustria and Fiat S.p.A. and sits on the Boards of Directors of prestigious organisations and companies inside and outside Italy. He was elected to the Board of Directors of Tod's S.p.A. by the Shareholders' Meeting on April 26th, 2001.

10) Emanuele Della Valle, director without executive authority, was born in Macerata (MC) on June 11th, 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 7th, 2000.

11) Pierfrancesco Saviotti, independent director without executive authority, was appointed Lead Independent Director on April 19th, 2012. Born in Alessandria (AL) on June 16th, 1942, he was Chief Executive Officer of Banca Commerciale Italiana and General Manager (Loan Business Unit) of Banca Intesa. After having been Senior Advisor for Italy and Vice Chairman of Merrill Lynch Europe, he has been appointed Chief Executive Officer of Banco Popolare Società Cooperativa. He also sits on the

boards of directors of several of the most important Italian companies and on the Board of Directors of the Company since October 7th, 2000.

12) Vivo Varvaro, director without executive authority, was born in Palermo (PA) on March 30th, 1954. Graduated in Business and Economics, he was Chairman and CEO of Procter & Gamble Italia, and then became Chairman of the company Unopiù S.p.A. and, in 2007, Director of Bulgari S.p.A. He has been in the Company's Board of Directors since April 22nd, 2008.

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 5th, 2014. Furthermore, as mentioned before, the Board of Directors identified the strategic subsidiaries of the Tod's S.p.A. Group on November 13th, 2013 – for the purpose of proper implementation of the Corporate Governance Code.

Please note that the members of the Board of Directors have not changed since the end of the financial year.

Maximum number of simultaneous appointments within other corporations

In relation to Application Criterion 1.C.3 of the Corporate Governance Code, it is hereby confirmed that 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), due to the different roles and the multiple situations which are possible in abstract terms. Instead, 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. In any event, the administrative body may adopt the decisions deemed to be most appropriate in this regard.

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

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

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

The Board of Directors met six times in 2013, 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 79.2%, while the rate of attendance by independent directors was 54.2%).

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

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

Board of Directors meetings are held with the direct participation of all its members. Their diverse expertise allow them to analyse the matters set on the agenda from different perspectives, enriching the exchange of opinions that is essential to all pondered and informed decisions.

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

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

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

Under Article 25 of the Articles of Association, the Board of Directors is reserved the exclusive prerogative, in addition to the duties that cannot be delegated pursuant to law, of defining the general policy for management and organisational development, defining the rules for the drafting and amendment of internal regulations, appointing and dismissing general managers. Moreover, pursuant to Article 5 of the Procedure on Related Parties Transactions and in accordance with Article 25 of the Articles of Association, as well as Article 8 of the Related Parties Regulation, the Board of Directors is vested with exclusive discretionary powers to authorize highly significant related-party transactions, on the basis of a favourable advisory opinion rendered in such regard by the Independent Directors Committee (or, otherwise, to seek shareholder approval of such transactions, in the event where such approval is required pursuant to application rules and regulations). Moreover, any and all highly significant related-party transactions to be executed with a company controlled by the Issuer must first be submitted to the Board of Directors for review and approval on the basis of the binding opinion of the Company's Independent Directors Committee.

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

- a) examine and approve the strategic, operational and financial plans of the Company and the Group it heads, periodically monitoring its implementation, as well as defining the Company's corporate governance system and the structure of the Group;
- b) define the nature and level of risk as compatible with the strategic objectives of the Company;
- c) after defining the applicable criteria, identify the strategic subsidiaries of the Group, evaluate the adequacy of the organizational, administrative and accounting structure of the Company, as well as that of its subsidiaries having strategic relevance, particularly in regard to the Internal Control and Risk Management System;

- d) specify the frequency, as a rule no less than once every three months, within which the bodies and persons in question must report to the Board on the activities performed in the exercise of the powers delegated to them;
- e) evaluate the general performance of the Company, with special emphasis on the information received from delegated bodies and managing directors, and periodically compare the results achieved against pre-set targets;
- f) resolve upon transactions having a significant impact on the Company's strategies, profitability, assets and liabilities or financial position, and performed by the Company itself or its subsidiaries and, towards such end, establish general criteria for identifying the transactions which might have a significant impact ("Guidelines");
- g) at least once annually, evaluate the performance, size and composition of the Board of Directors and its Committees, inter alia on the basis of its members' professional qualifications, management and other experience, gender, and tenure;
- h) on the basis of the review indicated at sub-indent g), provide the Shareholders with information before they elect the new Board of Directors, illustrating the biases of those candidates deemed to be worthy of election to the Board;
- i) provide information in the report on corporate governance that specifically concerns: (1) its composition, indicating the status of each member (executive, non-executive or independent), the position each member holds on the Board of Directors (ad e.g. chairman or chief executive officer), his principal professional qualifications and years in office since first being elected; (2) the procedures adopted for implementation of Article 1 of the Governance Code and, in particular, the number and average length of meetings held by the Board of Directors and Executive Committee, if one has been formed, during the financial year and the percentage of such meetings attended by each Director; (3) the procedures for carrying out the assessment process illustrated at sub-indent g) hereinabove;
- l) in view of assuring proper management of Company information, adopt a procedure for internal management and public disclosure of documents and information concerning the Company, and especially insider information;
- m) designate a lead independent director if the Chairman is the principal person in charge of managing the Company (e.g. chief executive officer) or controls the Company;
- n) designate (i) one or more Directors to establish and maintain an effective Internal Control and Risk Management System (the "Director Responsible for the Internal Control and Risk Management System"), and (ii) a Control and Risk Committee, delegated with responsibility for providing support, including adequate investigation, for the findings and decisions of the Board of Directors relating to the Internal Control and Risk Management System, and those related to approval of the periodic financial reports; and, after receiving the opinion of the Control and Risk Committee, the following duties, which are illustrated in greater detail in the Guidelines for the Internal Control and Risk Management System of the Tod's S.p.A. Group (hereinafter, the "Guidelines"):
- o) define the Guidelines of the Internal Control and Risk Management System, so that the principal risks faced by the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, while also determining the degree of compatibility of these risks with business management that is consistent with the identified strategic objectives;
- p) assess the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the dimensions, complexity and risk profile of the business;
- q) at least once annually, approve the audit plan prepared by the Head of the Internal Audit Function, after consulting with the Board of Statutory Auditors and the Directors Responsible for the Internal Control and Risk Management System;

- r) approve the strategies and policies for management of the principal risks faced by the Issuer and the Tod's S.p.A. Group;
- s) describe the principal elements of the Internal Control and Risk Management System in the annual report on corporate governance, giving its evaluation of the adequacy of that system;
- t) assess, after consulting with the Board of Statutory Auditors, the results stated by the independent auditor in any letter of suggestions and in the report on fundamental issues raised during statutory audit of the accounts; and, on motion by the Directors Responsible for the Internal Control and Risk Management System, after obtaining the favourable opinion of the Control and Risk Committee, and consulting with the Board of Statutory Auditors:
 - u) appoint and dismiss the Head of the Internal Audit Function;
 - v) assure that he disposes of adequate resources to discharge his duties;
 - z) define his remuneration consistently with corporate policy.

In relation to Article 6 of the Corporate Governance Code, and in compliance with Article 123-ter TUF, the Board of Directors is also assigned the responsibilities established in the *"Tod's S.p.A. Group Remuneration Policies and implementing procedures"* adopted by resolution on November 11th, 2011, and illustrated in the Remuneration Report prepared in accordance with Article 123-ter TUF.

In regard to Application Criterion 1.C.1 of the Code, the Board of Directors has formally confirmed (in its "Framework Resolution" on corporate governance adopted on April 19th, 2012) the principle that the delegated bodies report to the Board of Directors at least once quarterly on their activities performed pursuant to their granted delegations of authority, in accordance with applicable provisions of law (Art. 2381 Italian Civil Code and Art. 150 TUF) and of the Articles of Association (Art. 24).

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

- a) assessed the adequacy of the organisational, administrative and accounting structure of the Issuer and strategic subsidiaries at the meetings held to approve the half-year report at June 30th, 2013, the consolidated earnings figures of the Group for the 2013 financial year (Board of Directors meeting on January 29th, 2014), and the Annual Financial Report at December 31st, 2013. 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 parent company Tod's S.p.A., at its November 13th, 2007 meeting and, ultimately, at its April 19th, 2012 meeting, resolved to identify the **"strategic subsidiaries"** according to the following criteria: i) number of employees; ii) sales volume; iii) value of assets; iv) existence of a developed organisational structure at the subsidiary, characterised by a major management presence (other than members of the board of directors) and vested with operating autonomy; v) significance and complexity of the functions performed by the subsidiary; vi) strategic relevance of the subsidiary on the market. Following analysis of the above mentioned parameters, most recently at the November 13th, 2013 meeting, the following companies were identified as strategic subsidiaries of Tod's S.p.A.: Tod's France Sas, Tod's Japan KK, Deva Inc., Tod's Hong Kong Ltd. and Tod's (Shanghai) Trading Co. Ltd;
- b) assessed general operating performance on March 11th, 2014 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 in the “*Corporate Governance/Procedures and Guidelines*” section), which provide precise criteria to identify transactions executed with third parties, including those through subsidiaries, which are subject to prior examination and approval by the Board on account of their economic, equity or financial relevance. (Following the entry into force of the Related Parties Regulation, the Board of Directors has updated, *inter alia*, the criteria used to identify the “*significance*” of transactions to be subject to its prior examination and approval);

d) on March 5th, 2014, carried out the evaluation of the functioning of the Board of Directors and its committees, as well as of their size and composition (so called *self-assessment*).

The self-assessment by the Board of Directors was managed by the Chairman of the Control and Risk Committee, which collected the Directors’ opinions on the size, composition and functioning of the Board and its Committees. In particular, the self-assessment concerned: (i) whether the size and composition of the Board of Directors are adequate with respect to the Company’s operations, as measured *inter alia* by the professional expertise of its individual members; (ii) the number, expertise, authority and available time of the non-executive and/or independent directors; (iii) the provision of timely and complete information and documents to Board and Committee members before their meetings; (iv) the adequacy of the information received by the delegated bodies at least once every quarter in regard to the activities which they are delegated to supervise and manage, and the information provided by them for assessment of general operating performance and its outlook; (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 adequate and complete information by delegated bodies during board meetings; (vii) the adequacy of the Company’s organisational structure to manage conflicts of interest and related party transactions; (viii) the adequacy of the directors’ expertise in defining the sustainable levels of risk to which the Company is exposed; (ix) the adequacy of the directors’ and key managers’ compensation in relation to the goal of creating shareholder value over the medium-long-term; and finally (x) assessment of the independence prerequisites established by law and the Code.

At its meeting on March 5th, 2014, 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 12 Directors, including six without executive authority, four of whom are independent) are absolutely sufficient to manage Company operations. The Directors’ independence was measured on the basis of the principles established by law and the Code.

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

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

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

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

Fulfilling its obligations under Application Criterion 1.C.1, sub-indent (h) of the Code, the previous Board of Directors reviewed the results of the self-assessment at its meeting on March 7th, 2012 (acting before election of the new Board by the Shareholders' Meeting on April 19th, 2012). At that meeting, it issued its recommendations to the Shareholders in the Management Report on the Agenda of the Shareholders' Meeting pursuant to Art. 125-ter TUF. In particular, the Board of Directors recommended that professionals having specific qualifications be appointed to the Board, suggesting that the slates of nominees include individuals possessing adequate managerial and other experience and economic, accounting, legal, financial and/or compensation policy expertise.

The Shareholders' Meeting held on April 19th, 2012 resolved to authorise the Directors to accept positions and to engage in activities prohibited under the not-to-compete clause in Article 2390 of the Italian Civil Code. Pursuant to Application Criterion 1.C.4 of the Corporate Governance Code, the Board of Directors is responsible for assessing the merits of each problem and reporting any criticalities at the first Shareholders' Meeting held thereafter. For this reason, each Director shall inform the Board of any of his/her conflicts of interest with the Company on the day that he or she accepts his/her nomination and every significant change thereafter. No problems or criticalities of this nature and that would have to be referred to the Board arose during the financial year.

4.4 Delegated bodies

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

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

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

- a. request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on amount;
- b. withdraw amounts for the current accounts already opened or to be opened in the Company's name as well as issue and accept bills, without any limit on the amount;
- c. negotiate, conclude and enter into agreements, instruments, letters or declarations concerning guarantees, surety policies, letters of patronage or guarantees on first demand in favour of the Company

and the companies controlled directly or indirectly, including all counter guarantee or surety or acceptance instruments and declarations which may be requested;

d. purchase and sell personal and real property of any nature and kind whatsoever, as well as enter into finance lease agreements;

e. recruit, appoint, suspend and dismiss Company executives and employees in general, save for General Managers who can only be appointed and dismissed by the Board of Directors;

f. file lawsuits, court motions and administrative petitions, at all levels of jurisdiction as well as on appeal to the Court of Cassation and for revocation, designate arbitrators and grant powers of attorney to lawyers and attorneys ad litem; appoint special attorneys-in-fact in general;

g. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension, accepting and signing any and all settlements reached with the said Offices;

h. undertake any and all actions of routine business administration, including, without limitation, the power:

- sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;

- sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;

- purchase and sell vehicles, personal property, office machines and equipment in general;

- purchase the materials, products and machinery necessary or useful to the Company's business;

- enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;

- enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt therefore;

- issue credit and debit notes as well as to collect amounts due to the Company, even through bills or notes, issuing full and final receipt therefore;

- adjust accounts with customers and suppliers, approving or contesting the accounts in question;

- file for declarations of insolvency, bankruptcy protection proceedings, proceedings for subjection to special administration and to bring insolvency proceedings in general, with all the related powers, without exception or exclusion, including the power to file for proof of debt and declarations of the existence of debt, and to accept or refuse settlements proposed by debtors or the parties in charge of the procedure, to waive rights and to enter into settlement agreements;

- accept and pay debts, collect any and all amounts due for any reason or cause whatsoever, from private and public bodies, and issue the related receipts;

- pick up or have picked up any correspondence, packages or shipments, including registered and insured letters or other special mail, from the Post Office, the Railways, the Customs and any and all goods carriers or transport companies in general, issuing the related discharges and receipts, as well as to collect postal and telegraphic money orders and railway cheques, issuing the related receipts;

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

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

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

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

- a. request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on amount;
- b. withdraw amounts for the current accounts already opened or to be opened in the Company's name as well as to issue and accept bills, without any limit on amount;
- c. negotiate, conclude and enter into agreements, instruments, letters or declarations concerning guarantees, surety policies, letters of patronage or guarantees on first demand in favour of the Company and the companies controlled directly or indirectly, including all counter guarantee or surety or acceptance instruments and declarations which may be requested;
- d. purchase and sell personal and real property of any nature and kind whatsoever, as well as enter into finance lease agreements;
- e. recruit, appoint, suspend and dismiss Company executives and employees in general, save for General Managers who can only be appointed and dismissed by the Board of Directors;
- f. promote legal and administrative actions and petitions before all Courts and Tribunals and also before the Court of Cassation and revoke and appoint arbitrators and confer powers of attorney on lawyers and attorneys ad litem; appoint special attorneys-in-fact in general;
- g. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension, accepting and signing any and all settlements reached with the said Offices;
- h. undertake any and all actions of routine business administration, including, without limitation, the power:
 - to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
 - to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
 - to purchase and sell vehicles, personal property, office machines and equipment in general;
 - to purchase the materials, products and machinery necessary or useful to the Company's business;
 - to enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
 - to enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt therefore;
 - to issue credit and debit notes as well as to collect amounts due to the Company, even through bills or notes, issuing full and final receipt therefore;
 - to adjust accounts with customers and suppliers, approving or contesting the accounts in question;

- to file for declarations of insolvency, bankruptcy protection proceedings, proceedings for subjection to special administration and to bring insolvency proceedings in general, with all the related powers, without exception or exclusion, including the power to file for proof of debt and declarations of the existence of debt, and to accept or refuse settlements proposed by debtors or the parties in charge of the procedure, to waive rights and to enter into settlement agreements;
 - to accept and pay debts, collect any and all amounts due for any reason or cause whatsoever, from private and public bodies, and issue the related receipts;
 - to withdraw or cause the withdrawal of correspondence, packages or shipments, including registered and insured letters or other special mail, from the Post Office, the Railways, the Customs and any and all goods carriers or transport companies in general, issuing the related discharges and receipts, as well as to collect postal and telegraphic money orders and railway cheques, issuing the related receipts;
 - to accept and enter into arbitration clauses and proceedings, appointing sole arbitrators or a panel of arbitrators, both in formal and informal proceedings, including ex aequo et bono proceedings, waiving, if necessary, the right to raise further claims or file appeals against or motions for the review of the related awards;
 - to deposit or have deposits made on the current accounts opened or to be opened in the name and on behalf of the Company with Banks and Post Offices and to endorse or cause the endorsement of cheques and bills for collection and discount;
 - to endorse bills issued by customers, by way of payment of debts;
- i. to execute urgent extraordinary administration acts, except for the acts reserved to the exclusive jurisdiction of the Meeting or the Board of Directors, according to law or the Articles of Association, or in compliance with the applicable principles, also the principles of Self-regulation. The Board of Directors shall be informed of such acts in the first Meeting after their execution.
- The **Chief Executive Officer**, Mr. **Stefano Sincini**, has also been appointed **Managing Director**, invested, through specific power of attorney, and under his own sole signature, with all the powers required to:
- a. request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on the amount;
 - b. withdraw amounts for the current accounts already opened or to be opened in the Company's name;
 - c. purchase and sell personal property of any nature and kind whatsoever, as well as enter into finance lease agreements;
 - d. recruit, appoint, suspend and dismiss Company employees, with the exception of executives;
 - e. promote legal and administrative actions and petitions before all Courts and Tribunals and also before the Court of Cassation and revoke and appoint arbitrators and to confer powers of attorney on lawyers and representatives ad litem; to appoint special representatives in general;
 - f. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension;
 - g. undertake any and all actions of routine business administration, including, without limitation, the power:
 - to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
 - to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
 - to purchase and sell vehicles, personal property, office machines and equipment in general;

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

The Managing Director **Stefano Sincini** is also the "**Employer**" pursuant to and in application of Legislative Decree 81 of April 9th, 2008 and, in that capacity, has fully independent decision-making authority, and consequently unlimited spending and signature authority for implementing all occupational health and safety measures including, for example but not limited to the following powers:

- designate the Head of the Prevention and Protection Service;
- in collaboration with the Head of the Prevention and Protection Service, identify the risk factors and workplace safety and health measures;
- in collaboration with the Head of the Prevention and Protection Service, prepare the "Workplace Risk Assessment Document";
- designate the head Physician;
- guarantee compliance with the general protection measures envisaged in Legislative Decree 81/08, doing everything necessary and taking all measures that are essential and appropriate in view of implementing occupational safety, hygiene and health measures at the workplace;

- take collective and individual prevention and protection measures;
- purchase equipment, devices and materials as necessary to guarantee proper discharge of his mandate;
- implement occupational health monitoring procedures and audit implementation of the occupational health monitoring protocol;
- prepare the worker information, education and training programs envisaged in Legislative Decree 81/08;
- if necessary, avail himself of outsourcers possessing specific professional expertise and know-how;
- represent the Company in relations with government agencies, public and private entities, performing all those acts and operations as necessary to obtain concessions, licenses and authorisations in general;
- represent the Company in lawsuits and actions before any court and/or administrative authority in any venue or level of jurisdiction.

The Managing Director in charge of the “Employer” function shall also have the authority all or some of his own functions and responsibilities to one or more persons, within the limits of law and the Articles of Association, without prejudice to his responsibility for managing the entire occupational health and safety system.

The Board Member Stefano Sincini has also been designated by the Board of Directors as Director Responsible for the Internal Control and Risk Management System, together with Mr. Fabrizio Della Valle.

The Director **Fabrizio Della Valle** has been specifically delegated authority to supervise and coordinate financial management of the Company, particularly in regard to the operating management of existing sources of financing, control and planning of cash flows, the financial strategy for hedging contingent investments, including the preventive provision of any new sources of financing for development projects, as well as the most efficient management of available financial resources.

On April 19th, 2012, Mr. Fabrizio Della Valle was also appointed by the Board of Directors as Director Responsible for the Internal Control and Risk Management System, together with Director Stefano Sincini.

The Director **Emilio Macellari** has been delegated specific authority to supervise and coordinate the complex administrative apparatus of the Company, including the activities of corporate bodies, to assure its most effective organisation, guarantee the Company and the Group the most efficient and dynamic support for the Managing Directors’ project planning activities, and supervising and coordinating relations with institutional investors and other shareholders in compliance with applicable internal procedures.

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

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

Chairman of the Board of Directors

In regard to 2.P.5 of the Corporate Governance Code (illustration of the reasons why delegations of operating authority are granted to the Chairman), note is made that the Board of Directors, examining again the issue on March 5th, 2014, confirmed its opinion and decided that the corporate governance of Tod’s S.p.A. is perfectly consistent with the Company’s interests, including in regard to the concentration of duties, considering *inter alia* that (i) the Chairman, to whom operating authority has

been delegated, is the director who has worked for the greatest number of years at the firm, and his role is not limited to institutional and representative functions, but instead fully engaged in Company operations, which is essential to its realizing optimum performance; (ii) operating authority has also been delegated to other directors, in addition to the Chairman (there are a total of six directors with executive authority).

In reference to Application Criterion 2.C.3 of the Corporate Governance Code, note is made that the Chairman of the Board of Directors, Mr. Diego Della Valle, is the controlling shareholder and Chief Executive Officer of the Issuer, and that in the aforementioned Framework Resolution of April 19th, 2012, 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 six members: Diego Della Valle (Chairman), Andrea Della Valle (Vice Chairman), Fabrizio Della Valle, Emilio Macellari, Stefano Sincini and Vito Varvaro.

The Executive Committee has been appointed by the Board on April 19th, 2012 for a three year term, and shall remain in office until the next Shareholders' Meeting called to approve the financial statements for financial year 2014.

In light of the Company's size, as well as in the interest of promoting managerial efficiency, whilst also boosting the flexibility and speed of operations, the Executive Committee is expressly invested with all the powers attributed to the Board of Directors, save for those reserved under law (section 2381 of the Italian Civil Code), or the Articles of Association, to the Board itself, without prejudice to the powers reserved solely to the Board of Directors, in compliance with the principles of Self-regulation and any and all applicable rules and regulations, as already described above.

The Executive Committee met 5 times during 2013 and at least four Meetings are scheduled for the current financial year (2 of which have already taken place). In general, the Executive Committee's Meetings have a duration that varies from five to six hours.

The Meetings recorded the regular and diligent participation of its members (in fact, the overall percentage participation was 90%, 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 11th, 2010;
- submit a full report on the conclusion of related-party transactions, both to the Board of Directors and the Board of Statutory Auditors.

As already noted, with regard to Application Criterion 1.C.1 of the Code, the Board has repeatedly asserted, even formally, (in the Framework Resolution of April 19th, 2012) the principle that company directors, officers and/or internal committees or bodies delegated with specific tasks or powers, must provide the Board of Directors a full account of the activities undertaken in discharge of their respective

delegated tasks and/or powers, at least on a quarterly basis, in accordance with law and the Company's Articles of Association.

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

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

4.5 Other Executive Directors

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

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

4.6 Independent Directors

As already mentioned, after the Directors were appointed, the Board of Directors in the Meeting held on April 19th, 2012, and lastly in the Meeting held on March 5th, 2014, based on the information provided by each Director, also following the self-assessment, deemed applicable the independence requirements referable to the following four Directors: Luigi Abete, Luigi Cambri, Luca Cordero di Montezemolo and Pierfrancesco Saviotti.

In regard to Application Criterion 3.C.4 of the Code, and Art. 144-*novies* of the Issuer Regulation, the Board of Directors made an announcement to the market after its election. This announcement reported that four of members of the Board of Directors were qualified as independent after examination of their status according to the criteria set out in Art. 148, paragraph 3, of TUF and Art. 3 of the Corporate Governance 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.

In view of the fact that, for the purposes of the independence assessment, greater attention must be paid to substance rather than to form, and that, all the individuals in question were unanimously found to meet the highest standards of professionalism and independence, it was decided that:

- (i) the Director Luca Cordero di Montezemolo was not compromised by his joint equity interest with Chairman Diego Della Valle in the share capital of Nuovo Trasporto Viaggiatori S.p.A. or by the circumstance that he is a director of Nuovo Trasporto Viaggiatori S.p.A., together with the Chairman Diego Della Valle;
- (ii) the Director Luigi Abete was not compromised by the fact that Directors Emilio Macellari and Emanuele Della Valle are members of the Board of Directors of Italian Entertainment Group S.p.A., chaired by Mr. Luigi Abete, and that the Chairman Diego Della Valle has a joint equity interest in the share capital of Italian Entertainment Group S.p.A., as well as the fact that the Director Emilio Macellari is a member of the Board of Directors of Cinecittà Entertainment S.p.A. in which Mr. Abete has the position of Managing Director

Furthermore, (iii) the Board of Directors decided that the fact that some Independent Directors have held their office for more than nine terms does not compromise their independent judgment.

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

It is hereby confirmed that, thereby also implementing Application Criterion 3.C.6 of the Code, the Independent Board Members met on December 6th, 2013, in the absence of the other Directors. On this date, in particular, a meeting of the Independent Directors Committee was held (see 12 below regarding this), which Independent Director Montezemolo was also invited to attend, in order to consider, also in accordance with Consob's recommendation in Communication DEM/10078683 of 24 September 2010, whether it was appropriate to review the Procedure on Related Parties Transactions three years after the Related Parties Regulation came into effect, *"in the light, among other points, of any changes that take place in the ownership structure and how efficacious the procedures have proved to be in actual practice"*.

After considering the existing Procedure on Related Parties Transactions and its application in practice, the Independent Directors Committee's opinion was that it was not necessary to make any changes to the Procedure on Related Parties Transactions, since it deemed it to be fully efficacious and adequate to the Issuer and the Group's operations, ownership structure and organisation. .

4.7 Lead Independent Director

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

At the aforesaid meeting of April 19th, 2012, the Board appointed the (non-executive and) independent Director Pierfrancesco Saviotti as the "Lead Independent Director", by complying with Application Criterion 2.C.3 of the Code and with the recommendation mentioned in the comment concerning Article 2; Pierfrancesco Saviotti was assigned the following functions:

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

During the financial year, the Lead Independent Director cooperated with the Chairman to guarantee the provision of complete and timely information to all directors, and he has convened a meeting of Independent Directors on December 6th, 2013, in order to to consider whether it was necessary or desirable for the Board of Directors to review the Procedure on Related Parties Transactions, which was approved during the 2010 financial year .

5. HANDLING OF CONFIDENTIAL INFORMATION

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

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

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

Pursuant to the Framework Resolution adopted on April 19th, 2012, the Board of Directors resolved to comply with the principles and application criteria of Article 4 of the Corporate Governance Code, by setting up several Board committees charged with making proposals and giving advice in accordance with the principles set out in the Code. In particular, that resolution provides that:

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

- the meetings of each Committee are chaired by its own Chairman; if the Chairman is absent or the Committees decide by unanimous vote, the meetings of each Committee may be chaired by another one of its members;
- resolutions can only be validly passed by Committee meetings attended by a majority of Committee members; resolutions are passed by the favourable vote of the absolute majority of the Committee members present at Committee meetings, and in the case of a tie, the deciding vote shall be cast by the chairman of the meeting; Committee meetings may be held by conference call or videoconference, on condition that all participants can be identified by the chairman of the meeting and the other participants, that they can all follow and participate in the discussion in real time, as well as receive and send documents. In such case, the Committee meeting shall be deemed to be held in the place where the chairman of the meeting is physically present.

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

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

Besides the committees established and functioning in compliance with the Code, it should be noted that the Board of Directors in a meeting held on November 11th, 2010 has established the Independent Directors Committee, with the relevant functions and responsibilities which the Related Parties Regulation and the Procedure on Related Parties Transactions vest in a committee composed solely of Independent Directors with reference to related parties transactions of a greater importance; the above mentioned Committee functions in compliance with the principles of corporate governance which regulate the Control and Risk Committee function.

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

7. APPOINTMENT COMMITTEE

At the date of approval of this Report, the Board of Directors had not found it necessary to set up an appointment Committee, partly in view of the current structure of company ownership which features a high level of concentration.

The principles of corporate governance received by TOD'S S.p.A. require that the proposals for appointment as director, accompanied inter alia by adequate disclosure of the nominee's personal information and professional qualifications, with indication of their possibility of being qualified as independent directors pursuant to Article 3 of the Code, are deposited at the registered office of the Company within the terms provided by the relevant law – also regulatory provisions – time by time in force and promptly published on the Company web site.

8. COMPENSATION COMMITTEE

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

Composition and functioning of the Compensation Committee

In the Board Meeting held on April 19th, 2012, the Board resolved to establish the structure of the Compensation Committee for the 2012-2014 three-year period and up to approval of the Financial Statements referred to the last financial year, after verifying the non-executive and independence requirements in compliance with the principles established by law and by the Corporate Governance Code. The Compensation Committee comprises the following non-executive and independent Directors: Luigi Abete (Chairman), Luigi Cambri, Pierfrancesco Saviotti.

The Compensation Committee met once during 2013, with a 100% overall attendance rate (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 meeting was coordinated by its Chairman, Mr. Abete, and lasted one hour ; it was 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, no other meetings are 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 meeting held during the year.

Functions of the Compensation Committee

In accordance with Application Criterion 6.C.5, of the Code, on November 11th, 2011 and ultimately on April 19th, 2012, the Board, inter alia, updated the remit of the Compensation Committee, investing the latter the latter with the following responsibilities:

- a. advising the Board of Directors on the general 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 general remuneration policy, including on the basis of information gathered from company directors, officers and/or internal committees and bodies invested with delegated powers or responsibilities in such regard, in cases where the assessment focuses on the remuneration of executives with strategic responsibilities;
- c. advising the Board on the remuneration of executive directors and directors invested with specific tasks and duties, as well as – after hearing the company directors, officers and/or internal committees and bodies invested with delegated powers or responsibilities in such regard – on the proper identification and setting of appropriate performance targets that are to serve as the basis for determining the variable component of their remuneration;
- d. monitoring the implementation of Board decisions regarding remuneration, determining, inter alia, whether or not performance targets have actually been met;
- e. providing shareholders with a full report of its operating procedures;
- f. assisting the Board of Directors in drawing up and implementing compensation plans based on financial instruments;

- g. making sundry recommendations to the Board of Directors on matters pertaining to remuneration;
- h. availing, whenever it deems necessary or merely fit or useful for the discharge of its assigned tasks and duties, of outside consultants and experts on remuneration policy, it being understood not only that the said experts and consultants must be independent, and, accordingly, may in no event maintain any business or professional relationships whatsoever with, inter alia, Tod's S.p.A.'s human resources department, and/or any of Tod's S.p.A.'s controlling shareholders, directors or executives invested with strategic responsibilities, but also that the independence of any and all such outside consultants shall be duly verified, prior to their appointment, by the Compensation Committee.

During the Financial year, the Compensation Committee met once. At its March 13th, 2013 meeting, the Committee (i) considered whether the Managing Directors had achieved the performance targets set for the 2012 financial year, and (ii) the adequacy, the overall consistency and the actual application of the Issuer's compensation policy during the 2012 financial year; as well as (iii) the Committee proposed to the Board of Directors that it identify and define the annual performance targets to be assigned to the executive directors and directors delegated with special duties.

Minutes are prepared regularly for the Compensation Committee Meetings.

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

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

9. DIRECTORS' COMPENSATION

General Remuneration Policy

On November 11th, 2011, the Board of Directors, acting on the recommendation of the Compensation Committee, adopted the policy document "*Tod's S.p.A. Group's Remuneration Policies and implementing procedures*", in accordance with applicable regulations as well as Principle 6.P.4 of the Corporate Governance Code.

The aforesaid policy document lays down the guidelines to be followed in terms of not only procedure and form (i.e. the internal corporate processes through which policy is defined and implemented) and also substance and content (the criteria on which policy is based) by all company directors, officers, committee and bodies tasked with determining the remuneration of executive directors, Board members invested with specific tasks, and executives invested with strategic responsibilities, taking due account, inter alia, of the remuneration levels prevailing at other Group companies.

For further information on remuneration policies and procedures, see the first section of the Remuneration Report drawn up in accordance with Article 123-ter of the TUF, and disclosed to the public at least twenty days prior to the date of the subsequent Shareholders' Meeting, pursuant to applicable rules and regulations, such report – which is available for public consultation at the Company's registered offices, as well as on the Company's web site www.todsgroup.com – being deemed included herein by reference.

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

- a. at the time remuneration is determined, the fixed and variable components thereof must be appropriately balanced, taking due account of strategic goals, risk management policies and the nature and type of the Company's business;

- b. more specifically, the variable component of the remunerations of Directors, Officers, Committees and other corporate Bodies invested with delegated powers and responsibilities, must account for no less than 30% and no more than 120% of the fixed component, it being however understood that the aforesaid thresholds may be breached in the event the Board of Directors opts to set the fixed component at a level appreciably below the prevailing market benchmark;
- c. the fixed component must be sufficient to remunerate the Directors for the efforts, even if nothing whatsoever is due to them by way of variable remuneration in light of their failure to meet the performance targets set by the Board of Directors;
- d. the performance targets, and that is to say, the economic results or other specific goals to be achieved in order to gain entitlement to the variable component of remuneration, must be pre-established, measurable and linked to the creation of value for shareholders in the medium term, in general, within no less than twelve months;
- e. payment of amounts due by way of variable remuneration may not be deferred, delayed or withheld beyond the applicable maturity dates, given that such deferrals, delays or withholdings may not be reasonably deemed to exert any appreciable impact on corporate risk management;
- f. any and all corporate decisions to offer company directors incentives to resign or otherwise abstain from seeking re-appointment (e.g. in the form of a golden-handshake or non-compete consideration), or otherwise, enter into specific consultancy agreements with former company directors, must not only be in line with the Tod's Group's medium-to-long term strategy, values and interests, but also, in any event, be based on the following guidelines:
 - i) no incentive (apart from non-compete consideration) may be offered if the resignation is due to substandard performance;
 - ii) the aforesaid consultancy agreements may not be entered into other than for fixed terms not exceeding the time period strictly required to ensure the on-going effective and efficient management of the Tod's S.p.A. Group;
 - iii) as a general rule, and save in exceptional cases, the amount due to any Executive Director may not exceed the overall remuneration paid to the same for 24 consecutive months of uninterrupted service.

In accordance with the provisions of Article 123-ter, paragraph 6, of the TUF, shareholder approval of the first section of the Remuneration Report, which sets forth the Company's Remuneration Policy and the procedures followed in determining and implementing the same, shall be sought by means of an advisory, non-binding ballot at the next Shareholders' Meeting, scheduled for April 17th, 2014 on the first call.

Share-based incentive plans

As at the date of approval of this Report, no share-based incentive plans are under implementation in favour of executive directors and/or executives invested with strategic responsibilities.

Remuneration of executive directors

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

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

- as of the date of approval of this Report, a significant part of the compensation of the Chairman and Managing Director Diego Della Valle, the Vice Chairman and Managing Director Andrea Della Valle is linked to achieving the performance targets established by the Board of Directors on the proposal of the

Compensation Committee, most recently, in the guidelines set forth in the Remuneration Policies and Procedures approved by the Company's Board of Directors;

- a significant part of the compensation of the Managing Director Stefano Sincini (who also holds an office as the Company's co-General Manager) is linked to achieving the performance targets established by the Board of Directors on the proposal of the Compensation Committee, and are also in strict compliance with the guidelines set forth in the Remuneration Policies and Procedures approved by the Company's Board of Directors;

- Finally, a significant portion of the remuneration granted to Directors Fabrizio Della Valle and Emilio Macellari, who are delegated responsibility for the financial management and administrative management of the Company, respectively, is tied to their achieving specific targets that reflect the nature of their assigned functions and duties.

As of the date of approval of this Report, there are no further incentive mechanisms which envisage any remuneration for other executive Directors.

The remuneration of executive directors is addressed more exhaustively in the aforesaid Remuneration Report which is available for public consultation at the Company's registered offices, as well as on the Company's web site www.todsgroup.com, and must henceforth be herein included by reference.

Pursuant to the Company's remuneration policies:

- in due compliance with the principle of sound risk management, the variable components of the remuneration of executive directors primarily in charge of driving corporate growth and expansion, must, as a general rule, be linked to the TOD'S Group's overall performance as reflected in its income statement, balance sheet and cash-flow statement (since the Board of Directors may, by way of mere example and without limitation, set performance targets in terms of: (i) EBITDA; (ii) Turnover; (iii) Net cash flow; (iv) Defaults; (v) Inventory levels, or any combination thereof);

- the variable remuneration of executive directors invested with administrative and supervisory tasks and duties, must, as a general rule, be linked to specific targets that take due account of the nature of the tasks and duties in question in each case, even though the said targets may, naturally, also be based, in part, on the TOD'S Group's performance as reflected in its income statement, balance sheet and cash-flow statement.

Remuneration of executives with strategic responsibilities

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

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

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

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

Remuneration of non-executive directors

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

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

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

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

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

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

For further information on this matter, see the Remuneration Report, available at the Company's registered offices, as well as on the Company's web site www.todsgroup.com.

10. CONTROL AND RISK COMMITTEE

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

Composition and functioning of the Control and Risk Committee

After verifying that its directors without executive authority and independent directors satisfied the pre-requisites for being considered such in accordance with both the law and Article 3 of the Code, the Board of Directors resolved at the aforementioned Framework Resolution of April 19th, 2012, to constitute the Control and Risk Committee. Its members are the following directors without executive authority, a majority of whom are independent: Luigi Cambri (Chairman), Pierfrancesco Saviotti and Maurizio Boscarato.

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

The meetings are coordinated by the Chairman, Mr. Cambri, and were regularly and assiduously attended by the directors (the overall percentage rate of attendance was 86.7%, while the percentage rate of attendance by each Committee Member at the held meetings is indicated in the Table no. 2 attached hereto as an appendix).

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

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

Responsibilities of the Control and Risk Committee

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

- a) give the Board of Directors prior opinions in the cases envisaged in Application Criterion 7.C.1 of the Code. In application of the aforementioned Application Criterion 7.C.1 of the Code, any decisions concerning the appointment, dismissal, remuneration and provision of resources for the Head of the Internal Audit Function require, inter alia, the favourable opinion of the Committee;
- b) in collaboration with the Chief Accounting Officer and the auditors, and after consulting with the independent auditors and the Board of Statutory Auditors, assess proper use of accounting standards and their uniformity during preparation of the consolidated financial statements;
- c) express opinions on specific aspects relevant to identifying the principal risks faced by the Company;
- d) examine the periodic reports assessing the Internal Control and Risk Management System, and those of special relevance prepared by the Internal Audit Function;
- e) monitor the independence, adequacy, effectiveness and efficiency of the Internal Audit Function *audit*;

- f) if appropriate, exercise the right to ask the Internal Audit Function to audit specific operating areas, while simultaneously notifying the Chairman of the Board of Statutory Auditors;
- g) report to the Board of Directors on their activity and the adequacy of the Internal Control and Risk Management System at least once every six months, normally when the Board of Directors meetings are held to approve the annual and half year reports.

;

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

The Chairman of the Internal Control Committee illustrated the details to the Directors regarding the activities performed by the Committee with reference to the Financial year, and in particular, the Chairman illustrated to the collective administrative body the Committee's assessments of the adequacy and effectiveness of the Internal Control and Risk Management System at the date of the Board Meeting to approve the half-yearly financial Report as at June 30th, 2013, as well as at the date of the Board Meeting to approve the Annual Financial Report as at December 31st, 2013.

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 Head of the Internal Audit Function, by the Executive Directors appointed to the Internal Control and Risk Management System operations and by the Director in charge of drawing up the corporate accounting documents.

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

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

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

11. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

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

The Corporate Governance Committee of Borsa Italiana approved the new Corporate Governance Code in December 2011. Consequently, the Board of Directors adopted the new Corporate Governance Code principles pursuant to the Framework Resolution adopted on April 19th, 2012. After obtaining the favourable opinion of the Control and Risk Committee, the Board of Directors decided at its May 10th, 2012 meeting to amend the Guidelines. In particular, it modified the duties assigned to the various internal control bodies of the Company.

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

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 accounts and 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 and management Model, in accordance with Legislative Decree No. 231/01, the communication Procedures, so-called "internal dealing" and the procedures to identify the persons who have access to privileged information, the Principles and procedures to execute significant transactions and the Procedure on Related Parties Transactions, the powers and proxies System, the corporate Organisation Chart, the Procedure to disclose information to the Market, the Risk Analysis process adopted, the Accounting and Administrative control System.

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

The internal control system concerning the process to prepare the financial information adopted by the Company is designed to ensure that the administrative and accounting procedures prepared assure the reasonable credibility of the financial information and the organization's ability to produce timely and reliable accounting and financial information, in compliance with the reference accounting standards.

The structured approach adopted to establish the control model refers to international standards and to best practices of the sector, as well as to the Guidelines of the various reference bodies/associations (Andaf, Confindustria, etc.).

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

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

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

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

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

b) Role and functions involved.

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

While performing his activities, the Executive Director in charge:

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

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

Monitoring both the actual application of the risk management System relating to financial information, and its periodic assessment, were performed on an on-going basis throughout the financial year with the coordination by the Executive Director in charge who is directly responsible for verifying the correct and timely execution of the management activities in the administrative, accounting and financial activities performed by the Group member companies.

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

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

In execution of Application Criterion 7.C.1, letter *b*) of the Code, the Board of Directors positively assessed the adequacy of the Internal Control and Risk Management System according to the characteristics of the business and its assumed risk profile and its effectiveness at the meetings held to approve the Half Year Financial Report at June 30th, 2013 and the consolidated earnings figures for the Group in the 2013 financial year (Board of Directors meeting held on January 29th, 2014); in particular, the assessment was adopted on the basis of the report prepared by the Executive 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 11th March 2014, 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 19th, 2012, has appointed, *inter alia*, the Board Members Stefano Sincini and Fabrizio Della Valle to the position of Directors appointed to the Internal Control and Risk Management System. The above-mentioned Board Members are responsible for the following duties:

- a) identify the principal risks confronted by the Company, considering the nature of the activities operated by the Issuer and its subsidiaries, focusing in particular on its strategic companies, and submitting them for examination by the Board of Directors at least once annually, and normally at the Board of Directors meeting held to approve the annual report;
- b) execute the Guidelines, handling the design, creation and management of the Internal Control and Risk Management System and constantly reviewing its adequacy and effectiveness;
- c) at least once annually, normally when the annual report is approved – as well as whenever it is deemed necessary or appropriate, according to the circumstances, as in the case where new material risks arise or there are material increases in the possibilities of risk – submit the corporate risks and all the control processes implemented and planned to prevent them, reduce them, and effectively and efficiently manage them for examination and review by the Board of Directors, so that the Board of Directors may take informed and conscious decisions on the strategies and policies adopted to manage the principal risks of the Issuer and the Tod's Group, with special attention being dedicated to the companies having strategic importance;
- d) propose to the Board of Directors, and inform the Control and Risk Committee thereof, the nomination, revocation and remuneration of the Head of the Internal Audit Function and assure the independence and operating autonomy of each head of operating units, verifying that they have adequate resources to discharge their assigned duties;
- e) submit to the Board of Directors the annual work plan prepared by the Head of the Internal Audit Function, after obtaining the opinion of the Control and Risk Committee;
- f) adapt the Internal Control and Risk Management System according to changes in operating conditions and the legislative and regulatory framework;
- g) if appropriate, ask the Internal Audit Function to conduct audits of specific operating areas and compliance with internal rules and procedures in the performance of corporate operations, while simultaneously notifying the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors thereof, and if appropriate according to the events being examined, the Chairman of the Board of Directors as well;
- h) promptly report to the Control and Risk Committee (or the Board of Directors) on problems and criticalities arising during the course of their own activities or about which they have been informed, so that the Committee (or Board of Directors) may take the appropriate measures.

The 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 29th January 2014, 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.

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

Lastly, the Board was also given information during the Board Meeting held on 11th March 2014 concerning the adequacy of the Internal Control and Risk Management System in relation to the applicable provisions, also referred to the regulatory provisions.

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 19th, 2012. 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 Directors Responsible for the Internal Control and Risk Management System, Stefano Sincini and Fabrizio Della Valle, 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 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 executive 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 their 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.

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 23rd, 2013,.

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 executive 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 11th, 2014 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 29th, 2014 approved the Audit Plan 2014 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 30th, 2009 amended the Company compliance program pursuant to Legislative Decree 231 of June 8th, 2001.

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

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

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

- fostering awareness in the recipients of the Compliance Program that breaching the provisions contained therein by committing offences can attract criminal penalties which may be imposed on them, as well as the administrative penalties which may be imposed directly on the Company;
- confirming that such forms of unlawful conduct are condemned strongly by Tod's S.p.A., since such conduct (even in the case where the Company may be apparently in a position to benefit), in addition to being contrary to the provisions of law, are however, also contrary to the ethical principles with which the Company intends to comply when engaging in its corporate business;
- allowing the Company to intervene promptly to prevent or hinder the offences concerned from being committed, thanks to a monitoring activity of the business areas subject to risk.

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

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

A special Supervisory Body that has complete economic autonomy oversees the functional operation and compliance with the Model. The Supervisory Body was appointed by the Board of Directors in the Meeting held on April 19th, 2012, and comprises the following persons: Independent Board Member Luigi Cambri (Chairman), the member of the Board of Statutory Auditors, Enrico Colombo and Mr. Gianluca Tortorelli.

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. and Tod's (Shanghai) Trading Co. Ltd subject to their respective national laws, do not have an organisational Model, in accordance with Italian legislation.

11.5 Independent auditor

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

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

11.6 Officer in Charge of Preparing Company Accounts

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

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

The Board of Directors has granted Mr. Ubaldi ample authority as necessary to perform his duties under the law and the Articles of Association, without any specific spending limits other than what is reasonably necessary to discharge his duties. Furthermore, Mr. Ubaldi was given a mandate so that, in collaboration with the Managing Director, Mr. Sincini, he also gives instructions to the subsidiaries belonging to the Tod's Group, for adopting all those measures, administrative and accounting procedures, all other acts and measures necessary for proper preparation of the consolidated financial statements, and all measures communicated by Mr. Ubaldi pursuant to the TUF, as amended by Law 262/05 and by Legislative Decree 303/06 that can assure the maximum reliability of information flows addressed to the Executive in Charge of Preparing Company Accounts in connection with preparation of corporate accounting documents.

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

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

In particular, periodic joint meetings are to be held by the various bodies delegated responsibility for internal control and risk management (Control and Risk Committee, Board of Statutory Auditors, Compliance Program Supervisory Body, Internal Audit Function and the Directors 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 Committee and, if appropriate according to the events examined, the Chairman of the Board of Directors, as well as to the Compliance Program Supervisory Body and, if the audits concern other Group companies, the delegated bodies of the affected companies; (iii) at least once annually, the independent auditors shall meet jointly with the Control and Risk Committee, the Board of Statutory Auditors and the Manager responsible for the drawing up of the financial reports in view of, inter alia, assessing the proper use of accounting standards and principles and their uniform application during preparation of the consolidated financial statements.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

As stated before, the Board of Directors, in compliance with the Related Parties Regulation and after obtaining the opinion, stating the favourable reasons, of a Committee established *ad hoc* and composed solely of Independent Directors, resolved in the meeting held on November 11th, 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, and which has entered into force on January 1st, 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, on November 11th, 2010 a Committee composed solely of independent directors has been established (the "Independent Directors Committee"). The following Directors have been called to become members of the Committee Mr. Luigi Abete (Chairman), Mr. Pierfrancesco Saviotti and Mr. Luigi Cambri. The Committee has the relevant functions and responsibilities which the Related Parties Regulation vests in a committee composed solely of Independent and non-executive Directors with reference to related parties transactions of a greater importance; the above mentioned Committee functions in compliance with the principles set out in Art. 6 of the Procedure on Related Parties Transactions.

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

As far as disclosure requirements are concerned, the Procedure on Related Parties Transactions makes it compulsory to publish an information document concerning each transaction of greater importance, as well as to disclose the opinion of the Independent Directors and – in its essential terms – the opinion of the independent experts. Furthermore, the Procedure on Related Parties Transactions waives, in compliance with the provisions of the Related Parties Regulation, the application of the new legislation to some kinds of transactions, in particular, to transactions of exiguous amount, to transactions with or between Tod's S.p.A. subsidiaries, to transaction with Tod's S.p.A. associated companies (provided related parties of Tod's S.p.A. do not have "*significant*" interests within the above mentioned companies), as well as to the other cases set out in the Related Parties Regulation.

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

In compliance with the Procedure on Related Parties Transactions, the Issuer's Control and Risk Committee and Corporate Governance Committee subjected two moderately significant related-party transactions to prior examination, and issued opinions in favour of the conclusion of both of them.

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

13. APPOINTMENT OF STATUTORY AUDITORS

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

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

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

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

In particular, as many Shareholders which own a shareholding at least equal to the shareholding as established by Consob to elect the administration and control bodies – that corresponds to 1% of the share capital, as provided by Article 144-*quater* of the Issuer Regulation and by Consob resolution no. 18775 dated January 29th, 2014, 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 12th, 2012, each slate containing three or more nominees must be composed in such a way as to guarantee that the gender balance of the Board of Statutory Auditors satisfies the minimum quota required by applicable statutory and regulatory provisions.

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

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

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

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

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

14. COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The composition of the Board of Statutory Auditors in office at December 31st, 2013 is indicated in Table no. 3 attached as an appendix hereto.

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

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

- Standing auditors
- 1) Enrico Maria Colombo, born in Milan on April 10th, 1959
- 2) Fabrizio Redaelli, born in Milan on January 29th, 1960,
- 3) Rossella Porfido, born in Venice on December 28th, 1976.
- Alternate auditors:
- 4) Gilfredo Gaetani, born in Civitanova Marche on September 22nd, 1957,
- 5) Gabriella Manella, born in Pescara on November 24th, 1960;

b) the second, filed by shareholders holding a total of 0.83% of the share capital after the deadline had been extended applying article 144-*sexies*, paragraph 5, of the Issuer Regulation and article 27 of the Articles of Association, put forward the following candidates:

- Standing auditor:
- 1) Giulia Pusterla, born in Como on February 12th, 1960,
- Alternate auditor:
- 2) Myriam Amato, born in Pavia on October 19th, 1974,

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

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

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

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The term of the Board of Statutory Auditors will expire on the date of the Shareholders’ Meeting called for the approval of the Annual Report at December 31st, 2015.

During the Financial year, the Board of Statutory Auditors met seven times, and five 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 12th, 1960. She graduated in Business and Economics from the “L. Bocconi” University of Milan. A certified public accountant, she has been registered since 1985 in the Como Register of Professional Accountants. She is a certified public accountant and the owner of a firm of auditors in Como. She is an expert in corporate crisis and reorganisation and in equal opportunities.

Enrico Colombo was born in Milan (MI) on April 10th, 1959. He graduated in Business and Economics from the “L. Bocconi” University of Milan. A certified public accountant, he has been registered since

1986 in the Milan Register of Professional Accountants. He is partner at an accounting firm in Milan and is an expert in tax law.

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

It is also confirmed that the Statutory Auditors' independence is deemed to be already assured by compliance with the applicable legislation and the Articles of Association, in relation to 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.

For this reason, 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 19th, 2013 and lastly on March 5th, 2014; the outcome of these investigations was announced to the market on the same date,.

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

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

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

15. SHAREHOLDER RELATIONS

The “Corporate Governance” section of the Company web site www.todsgroup.com 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 19th, 2012 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 office:

telephone: 02 77225354 – fax: 02 76009714 - e-mail address: c.oglio@todsgroup.com

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

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

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

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

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

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

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

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

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

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

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

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

The Meeting shall be deemed to be held in the place where the Chairman and the person preparing the Minutes will be present. At the Shareholders' Meeting held on April 19th, 2013, which – inter alia – elected the new Board of Statutory Auditors, the controlling shareholder gave adequate public notice of the motions for resolution on the nominees for standing and alternate Statutory Auditor positions, and the remuneration to the Chairman and the standing members of the Board of Statutory Auditors . 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.

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.

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

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

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

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

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

18. CHANGES SINCE THE END OF THE REPORTING PERIOD

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

Milan, 11th March 2014

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

TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE

SHARE CAPITAL STRUCTURE				
	N° shares	% on the share capital	Listed (identify the markets) / not-listed	Rights and Obligations
Ordinary shares	30,609,401	100%	Electronic Stock Exchange organized by Borsa Italiana S.p.A.	
Shares with limited voted rights				
Shares without voting rights				

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

SHAREHOLDERS	N° ORDINARY SHARES	% ON THE SHARE CAPITAL
DIEGO DELLA VALLE Of which	17,374,624	56.762 %
- directly	252,000	0.823 %
- indirectly through DI VI Finanziaria di Diego Della Valle & C. S.r.l.	16,426,172	53.664%
- indirectly through Diego Della Valle & C. Srl	696,452	2.275%
CAPITAL RESEARCH AND MANAGEMENT COMPANY	1,539,339	5.028%
OPPENHEIMERFUNDS INC.	1,131,633	3.697%
ARNAULT BERNARD through Delphine s.a.s.	1,059,900	3.462 %
JOHO CAPITAL LLC	642,463	2.100%

TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE

Board of Directors											Control and Risk Committee		Compensation Committee		Executive Committee		Independent Directors Committee	
Position	Members	In office from	In office till	List (M/m)*	Esec.	Non-esec.	Indep. Indep. as to Code	Indep. as to UFA	(%)**	Number of other offices***	****	**	****	**	****	**	****	**
Chairman	Diego Della Valle	19/04/2012	31/12/2014	M	X				100	7					X	100		
CEO	Andrea Della Valle	19/04/2012	31/12/2014	M	X				83,3	4					X	100		
CEO	Stefano Sincini	19/04/2012	31/12/2014	M	X				100	0					X	100		
Director	Luigi Abete	19/04/2012	31/12/2014	M		X	X	X	66,6	12			X	100			X	100
Director	Maurizio Boscarato	19/04/2012	31/12/2014	M		X			100	0	X	100						
Director	Luigi Cambri	19/04/2012	31/12/2014	M		X	X	X	100	1	X	100	X	100			X	100
Director	Luca Cordero di Montezemolo	19/04/2012	31/12/2014	M		X	X	X	33,3	11								
Director	Emanuele Della Valle	19/04/2012	31/12/2014	M		X			50	2								
Director	Fabrizio Della Valle	19/04/2012	31/12/2014	M	X				100	3					X	100		
Director	Emilio Macellari	19/04/2012	31/12/2014	M	X				100	3					X	100		
Director	Pierfrancesco Saviotti	19/04/2012	31/12/2014	M		X	X	X	16,6	5	X	60	X	100			X	100
Director	Vito Varvaro	19/04/2012	31/12/2014	M	X				100	2					X	40		
LID	Pierfrancesco Saviotti	19/04/2012	31/12/2014	M		X	X	X		5								
DIRECTORS WHO CEASED FROM THE OFFICE DURING THE RELEVANT FINANCIAL YEAR																		
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Identify the quorum required for the presentation of lists during the last meeting held for the appointment of directors on 19th April 2012: 1,5% (Consob Resolution no. 18083 dated 25/01/2012)

No. meeting held during the relevant Year:		BoD: 6	CRC: 5	CC: 1	EC: 5	IDC: 1
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NOTES

* In this column is shown M/m depending on the member having been elected from the list voted by the majority (M) or by the minority (m) shareholders.

** In this column is shown in percentage the Directors' participation to the meeting of the Board of Directors and the meetings of the Committee (no. of presence on no. of meetings held during the relevant period of office of the relevant member).

***In this column is shown the number of offices held as director or auditor by the relevant member in other companies listed on any other stock exchange, including foreign stock exchanges, in financial companies, banks, insurance companies, or large companies. Please attach to the Report the list of companies in which each Director holds an office, specifying whether the company where the member holds an office is part of the same Group of the Issuer.

****In this column the "X" indicates the membership of the Committee.

TABLE 3: BOARD OF STATUTORY AUDITORS STRUCTURE

BOARD OF STATUTORY AUDITORS							
Poistion	Members	In office since	In office till	List (M/m)*	Independence according to the Cod	** (%)	Number of other offices ***
Chairman	Giulia Pusterla	19/04/2013	31/12/2015	m	X	100	2
Effective Auditor	Enrico Colombo	19/04/2013	31/12/2015	M	X	100	13
Effective Auditor	Fabrizio Redaelli	19/04/2013	31/12/2015	M	X	100	19
Alternative Auditor	Gilfredo Gaetani	19/04/2013	31/12/2015	M	X		
Alternative Auditor	Myriam Amato	19/04/2013	31/12/2015	m	X		
STATUTORY AUDITORS WHO CEASED DURING THE RELEVANT FINANCIAL YEAR							
Identify the quorum required for the presentation of lists during the last meeting held for the apointment of statutory auditors on 19 April 2013: 1% (Consob Regulation n. 18452 dated 30/01/2013)							
Number of meetings held during the relevant financial year: 7							

NOTES

*In this column is shown M/m depending on the member having been elected from the list voted by the majority (M) or by the minority (m) shareholders.

** In this column is shown in percentage the Auditors' participation to the meeting of the Board of Statutory Auditors (no. of presence on no. of meetings held during the relevant period of office of th relevant member)

*** In this column is shown the number of offices held as director or auditor in different companies by the relevant member pursuant to art. 148 bis UFA.

APPENDIX A TO THE ANNUAL CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT FOR 2013

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	Le Monde Europe S.A.
	Director	Compagnia Immobiliare Azionaria S.p.A.
	Director	L.V.M.H. Moët Hennessy Louis Vuitton
	Director	Nuovo Trasporto Viaggiatori S.p.A.
	Sole Director	DDV partecipazioni S.r.l.
Luca Cordero di Montezemolo	Chairman	Ferrari S.p.A.
	Chairman	Telethon Comitato e Fondazione
	Director	Montezemolo & Partners SGR
	Chairman	Charme Management S.r.l.
	Director	Kering (former PPR-Pinault-)
	Director	Poltrona Frau S.p.A.
	Director	Editrice La Stampa
	Vice Chairman	Unicredit S.p.A.
	Director	Fiat S.p.A.
	Director	Nuovo Trasporto Viaggiatori S.p.A..
	Director	Delta Topco Ltd.
Luigi Abete	Chairman	Banca Nazionale del Lavoro S.p.A.
	Chairman	Civita Cultura S.r.l.
	Chairman	E.P.S. S.p.A.
	Chairman	Italian Entertainment Group S.p.A.
	Chairman	A.BE.T.E. S.p.A.
	Chairman	Emittenti Titoli S.p.A.
	Chief Executive Officer	Cinecittà Entertainment S.p.A.
	Director	Il Sole 24 Ore S.p.A.
	Director	ArtigianCassa S.p.A.
	Director	Indesit S.p.A.
	Chief Executive Officer	Film Master Group S.p.A.
Chief Executive Officer	TM News S.p.A.	
Pier Francesco Saviotti	Chief Executive Officer	Banco Popolare Soc. Coop.
	Director	Brembo S.p.A.
	Director	Moncler S.p.A.
	Director	Nuovo Trasporto Viaggiatori S.p.A.
	Director	Stefanel S.p.A.
Emilio Macellari	Director	Cinecittà Entertainment S.p.A.
	Director	Marcolin S.p.A.
	Director	Italian Entertainment Group S.p.A.
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.

DIRECTOR	POSITION	COMPANY
Fabrizio Della Valle	Sole Director	Italianotouch S.r.l.
	Sole Director	Gousson Consultadoria & Marketing S.r.l.
	Sole Director	Interbasic Holding S.r.l.
Emanuele Della Valle	Chairman	Mediabendcapital Inc.
	Director	Italian Entertainment Group. SpA
Luigi Cambri	Chairman of the Shareholders' Meeting	Arca Impresa Gestioni SGR
Vito Varvaro	Chairman of the Board of Directors	Cantine Settesoli SCA
	Director	Piaggio S.p.A.