

Tod's s.p.a.

CORPORATE GOVERNANCE AND **OWNERSHIP STRUCTURE REPORT**

pursuant to article 123-*bis* of the Unified Financial Act

(conventional administrative and auditing model)

(Translation of the document approved in Italian, solely for the convenience of international readers)

Tod's S.p.A.

Internet website www.todsgroup.com

Financial Year January 1st – December 31st 2010

Approved by the Board of Directors of 14th March 2011

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 second edition of the “Format for the corporate governance and ownership structure report” disseminated by the Market Operating Company, 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 Corporate Governance Code of Listed Companies currently in force (March 2006 edition; also referred to hereinafter as the “Code”).

This report, approved on March 14th, 2011, also contains information on the ownership structure pursuant to Article 123 bis, of Legislative Decree no. 58/98 and it is available, in compliance with regulatory provisions, in the “Corporate Governance” section of the website www.todsgroup.com, pursuant to applicable laws and regulations.



TABLE OF CONTENTS

GLOSSARY	4
1. PROFILE OF ISSUER	5
2. INFORMATION ON SHAREHOLDERS' OWNERSHIP (Art. 123 bis, paragraph 1, Unified Financial Act)	6
a) Structure of share capital	6
b) Restrictions to shares transfer	7
c) Major shareholders	7
d) Instruments allowing holders special rights	7
e) Employees stock ownership: how to exercise voting rights	7
f) Restrictions on voting rights	7
g) Shareholders' agreements	7
h) <i>Change of control clauses</i>	7
i) Proxies for Share Capital increase and authorization to purchase treasury shares	7
l) Management and coordination activities	8
m) Agreements between the Company and its Directors	9
n) Appointment and substitution of Directors and statutory amendments	9
3. COMPLIANCE	9
4. BOARD OF DIRECTORS	9
4.1 Appointment and substitution of Directors and statutory amendments	9
4.2 Membership	10
4.3 Functions of the Board of Directors	12
4.4 Delegated bodies	16
4.5 Other Executive Directors	21
4.6 Independent Directors	22
4.7 Lead Independent Director	22
5. HANDLING OF CONFIDENTIAL INFORMATION	23
6. BOARD OF DIRECTORS COMMITTEES	23
7. APPOINTMENT COMMITTEE	24
8. COMPENSATION COMMITTEE	24
9. DIRECTORS' COMPENSATION	25
10. INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE	26
11. INTERNAL CONTROL SYSTEM	28
11.1 Executive Director in charge of the Internal Control System	30
11.2 Directors in charge of the Internal Control	31
11.3 Compliance Programme pursuant to Legislative Decree 231/2001	33
11.4 Independent auditor	34
11.5 Officer in Charge of Preparing Company Accounts	34
12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES	34
13. APPOINTMENT OF STATUTORY AUDITORS	36
14. STATUTORY AUDITORS	37
15. SHAREHOLDER RELATIONS	38
16. SHAREHOLDERS' MEETINGS	38
17. CHANGES SINCE THE END OF THE REPORTING PERIOD	40
TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE	41
TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE	42
TABLE 3: BOARD OF STATUTORY AUDITORS STRUCTURE	43
APPENDIX A TO THE ANNUAL CORPORATE GOVERNANCE REPORT FOR 2010	44

GLOSSARY

Code/Corporate Governance Code: the Corporate Governance Code of Listed Companies approved on March 2006 by the Committee on the *Corporate Governance* and endorsed by Borsa Italiana S.p.A., as amended on March 2010 with respect to the wording of art. 7 (which is due to come into force at the end of the fiscal year January 1st – December 31st, 2011).

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.

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

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

Consob Regulation no. 17221/10: the Regulation issued by Consob with resolution no. 17221 of 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* UFA.

UFA: Legislative Decree of February 24, 1998 no. 58 (Unified Financial Act).

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 General Meeting of Shareholders, 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 Internal Control and Corporate Governance Committee, the Remuneration Committee and the Independent Directors Committee.

A) The General Meeting of Shareholders: the powers, role and functioning of the General Meeting of Shareholders 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 (which the Shareholders' Meeting convened on April 20th, 2011 is called to amend and update).

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 General Meeting of Shareholders. The Board elects from amongst its members, a Chairman and, if necessary, a Deputy 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 Deputy 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 General Meeting of Shareholders), 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, (iii) appointing and dismissing general managers.

Please note that the Shareholders' Meeting convened on April 20th, 2011 is called to – *inter alia* – update art. 25 of the current Articles of Association (with respect to the provisions referring to the exclusive responsibility of the Board of Directors also the "ratification" of significant related parties transactions), in order to make the wording of the "*Procedure on related parties transactions of Tod's S.p.A.*" (hereinafter the "*Procedure OPC*") compliant with Consob Regulation no. 17221/10 concerning transactions with related parties.

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 an Internal Control and Corporate Governance Committee and a Remuneration Committee, invested with advisory and recommendatory roles. On the other hand, no need has been detected to set up an Appointment Committee.

In compliance with Consob Regulation no. 17221/10, the Committee of Independent Directors has been established with the functions and responsibilities required for the approval of significant related

parties transactions, which Consob Regulation no. 17221/10 recommends to be vested in a committee solely composed of non executive and independent directors; the functions and responsibilities which Consob Regulation no. 17221/10 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 Committee for the Internal Control and the *Corporate Governance*.

D) The Board of Statutory Auditors: is made up of three auditors and two alternates and is the Company's management control body. The Board of Auditors is responsible for supervising that, during its operations, the Company complies with the laws 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 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 dated January 27th 2010 no. 39, the Board of Statutory Auditors supervises, especially, the process of disclosing to the public any financial information, the efficiency of internal control systems, of the internal auditing, if applicable, and of the risk management, the auditing of yearly financial statements and consolidated financial statements, and the independence of the independent auditor or auditing company, in particular as far as the provision of other services to the Issuer, apart from the auditing service, is concerned.

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.

2. INFORMATION ON SHAREHOLDERS' OWNERSHIP (Art. 123 bis, paragraph 1, Unified Financial Act)

The following sections provide more detailed information on the ownership structure at the date on which this Report was approved, pursuant to the applicable provisions of Article 123-bis UFA.

a) Structure of share capital.

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 Euros 61,218,802.00, (sixty one million two hundred eighteen thousand eight hundred and two) divided in 30,609,401 (thirty million six hundred and night thousand four hundred and 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.

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.

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 Legislative Decree 58/98 ("UFA"), 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.

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.

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.

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.

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.

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 30th July 2004 amounting to Euros 15,000 thousands (the corresponding exposure of which amounts to Euros 6,818 thousands at the approval date of this Report), and that is terminated automatically if a change of control occurs involving the Issuer.

Vice versa, the Company is a party to franchising agreements in the framework of its distribution business; such franchising agreements may include clauses which give the right to terminate the agreements if a change of control occurs involving the counterparty.

i) Proxies for Share Capital increase and authorization to purchase treasury shares.

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 of Tod's S.p.A. 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 22nd April 2010 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 may be made on the market based on a public purchase or swap offer, in accordance with Article 132 of the Unified Financial Act (UFA) and Article 144-bis of the Issuer Regulation, and in compliance with the operating procedures established by Borsa Italiana, subject to regulation, or 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; in any event, 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 projects and in case of transfer of shares 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 31 December 2010, i.e. at the end of the financial year.

I) Management and coordination activities.

Even though Tod's S.p.A. is subject to control by DI VI Finanziaria Sapa di Diego Della Valle & C. (in accordance with Article 93 of UFA) 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 Sapa, nor by any other party, pursuant to Article 2497 and following articles of the 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 14th March 2011 – 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.

m) Agreements between the Company and its Directors.

The information requested by Article 123-bis, paragraph 1, sub-section i) of the Unified Financial Act (UFA) (“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 section of the Report dedicated to Directors' compensation (paragraph 9).

n) Appointment and substitution of Directors and statutory amendments.

The information requested under Article 123-bis, paragraph 1, sub-section l) of the Unified Financial Act (UFA) (“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

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 13th November 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 website at the following address: www.borsaitaliana.it), as illustrated in detail below, and then resulting in the resolutions concerned, lastly, also during the 2010 financial year.

Before describing the Issuer's *corporate governance* structure, it must be pointed out that at its November 11th 2010 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 finally 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 and statutory amendments.

In accordance with Article 147-ter of the Unified Financial Act (UFA), the Articles of Association of Tod's S.p.A. (Article 17) envisage that the appointment of the Board of Directors is to be conducted based on the list vote mechanism, attributing a Director to the list that ranked second by number of votes and that is not connected in any possible way to the Shareholders which have presented or voted the list which has received the maximum number of votes (the other members being taken from the latter).

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 1,5% of the Share Capital at the approval date of this Report are entitled to present the lists of candidates to allocate the Directors to be elected, as duly established by Consob in Resolution no. 17633 dated 26th January 2011.

In accordance with Article 147-ter, paragraph 4 of the Unified Financial Act (UFA), the Articles of Association of Tod's S.p.A. envisage that at least two candidates are required to meet the independence requirements established by law and are to be indicated at least in the second and seventh position in each list.

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

The lists of candidates presented by the Shareholders must be registered at the Registered Office – together with the relevant certificates issued by the authorized intermediaries, the candidates' 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 UFA, 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 Board of Directors is elected on the basis of the following procedure:

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

With respect to the pro-rata appointment of Directors, the Articles of Association do not provide for a minimum percentage of votes that the list must have obtained in the Shareholders Meeting.

If only one list is presented or admitted for voting purposes, the candidates of the list concerned will be appointed as Directors in the framework of this list, in accordance with the progressive number with which the candidates were listed in the list concerned.

The provisions of law are applied if Directors are to be substituted.

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 UFA.

Pursuant to art. 123-bis, par. 1, lett. I), UFA 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 response to the enquiries made by Consob pursuant to art. 114, par. 5 UFA with Notice no. DEM/11012984 dated 24th February 2011, please note that, having considered the particular ownership structure, at the date this Report is approved, no plan for the substitution of Directors is in place; in case of early termination of a Director's mandate the provisions of law pursuant to art. 2386 of the Civil Code should apply.

4.2 Membership.

The Board of Directors in office at the approval date of this Report was approved by the Shareholders' Meeting of April 20th, 2009, 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, 2011.

The relevant information concerning each Director are 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 Sapa di Diego Della Valle & C., were selected from the sole list presented by the same majority Shareholder with a resolution approved by the Shareholders' Meeting held on 20th April 2009 and with a percentage of favorable votes of 99,4181% 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 is currently Chairman and Chief Executive Officer of Tod's S.p.A. 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, was born in Sant'Elpidio a Mare (FM) on September 26th, 1965. He began his training and preparation in the United States. He sits on the boards of directors of various subsidiaries.
- 3) Fabrizio Della Valle, Director with executive authority and "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.
- 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.
- 5) Stefano Sincini, Executive Director, was born in Macerata (MC), on 3rd November 1958, inter alia, appointed to supervise the internal control system function. 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.
- 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.
- 7) Maurizio Boscarato, director without executive authority, was born in Ancona (AN) on March 27th, 1941. Qualified lawyer, he operates his own law firm in Ancona. He established a close collaborative relationship with the Group in the mid-1990's, overseeing the legal issues connected with its development.
- 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.
- 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.
- 11) Pierfrancesco Saviotti, independent director without executive authority, was appointed Lead Independent Director on April 20th, 2009. 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.
- 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 14th March, 2011. Furthermore, as mentioned before, the Board of Directors identified the strategic subsidiaries of the Tod's S.p.A. Group on November 11th, 2010 – 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.

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 nor appropriate to determine general principles to establish the maximum number of Directors or Statutory Auditor appointments which may be considered compatible with an effective performance of the office as Company Director, 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. In any event, the administrative body may adopt the decisions deemed to be most appropriate in this regard.

4.3 Functions of the Board of Directors

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 seven times in 2010, with seven 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 from two to four hours.

Directors regularly attended Board meetings (the overall attendance rate was 78,6%, while the rate of attendance by independent directors was 60,7%).

The informed attendance of the meetings is guaranteed by the distribution in advance of relevant documentation concerning the agenda of the Board meetings.

No outsiders have attended Board meetings held in the current 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 art. 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, with a view to bringing the same in line applicable regulations as well as transfers of the Company's registered offices 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.

With respect to related parties transactions, it should be noted that the Shareholders' Meeting convened on April 20th, 2011 is called to – *inter alia* – update art. 25 of the current Articles of Association (with respect to the provisions referring to the exclusive responsibility of the Board of Directors also the “ratification” of significant related parties transactions), in order to make the wording of the “Procedure on related parties transactions of Tod’s S.p.A.” (hereinafter the “Procedure OPC”, intended to regulate the operations of the Tod’s Group with related parties) compliant with Consob Regulation no. 17221/10.

Furthermore, in accordance with criteria 1.C.1. and 8.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, as well as the Company’s corporate governance system and the structure of the Group;
- b) identify, in light of criteria established by the Board itself, subsidiaries having strategic relevance, and evaluate the adequacy of the organizational, administrative and accounting structure of the Company and its subsidiaries having strategic relevance, as established by the managing directors, in particular with regard to the internal control system and the management of conflicts of interest;
- c) confer and revoke powers delegated to the managing directors and to the Executive Committee, specifying the limits imposed on these delegated powers and the manner of exercising them as well as 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;
- d) determine, after examining the proposal of the special committee and consulting the Board of Statutory Auditors, the remuneration of the managing directors and of those directors who are appointed to particular positions within the Company and, if the General Meeting of Shareholders has not already done so, to establish the manner in which the total amount due to the Board of Directors is to be shared amongst Board members;
- 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) examine and approve in advance 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 paying particular attention to transactions in which one or more Directors hold an interest on their own behalf or on behalf of third parties and towards such end, the Board of Directors should establish general criteria for identifying the transactions which might have a significant impact (“Guidelines”);
- g) evaluate, at least once a year, the size, composition and performance of the Board of Directors and its committees, eventually characterising new professional figures whose presence on the board would be considered appropriate, and, in particular, to assess compliance with the requirements for qualification as executive, non-executive and independent directors within the meaning of the Code, ensuring that the number of executive, non-executive and independent directors on the Board, meets the criteria set forth in the Code;
- h) appoint a lead independent director tasked with the following:
 - coordinating the activities of non-executive directors with a view to improving their contribution to the activities and functioning of the Board;

- collaborating with the Chairman to ensure that all the Board members are provided complete and timely information;
 - calling meetings reserved to independent directors whenever deemed necessary or useful for the purpose of discharging his duties, whilst also ensuring, *inter alia*, that the independent directors meet at least once a year, without the presence of the other directors;
 - i) provide information, in the Company's Corporate Governance Report, on the application of Article 1 of the Corporate Governance Code, and, in particular, on the number of meetings of the Board and of the Executive Committee, held during the fiscal year, plus the related percentage of attendance of each director;
- as well as, with the assistance of the Internal Control Committee, to:
- l) define the guidelines of the internal control system, in order to identify, measure, manage and monitor the principal risks relating to the Company and its subsidiaries, while ensuring that the compatibility criteria of such risks are determined based on the undertaking's sound and correct management;
 - m) identify an executive director for supervising the functionality of the internal control system;
 - n) periodically evaluate (at least twice a year) the adequacy, effectiveness and actual functioning of the internal control system, and approve, at least on an annual basis, the major risk management policies of the Company and the Group, with a particular focus on companies with a strategic relevance;
 - o) describe, in the report on corporate governance, the essential elements of the internal control system, expressing an opinion on the overall adequacy of the same;
 - p) appoint and dismiss, upon proposal of the executive director in charge of supervising the functionality of the internal control system and after consulting with the Internal Control Committee, one or more persons in charge of internal control and define their remuneration in line with the Company's policies.

In regard to Article 1.C.1 of the Code, the Board of Directors has formally confirmed (in its "Framework Resolution" on corporate governance adopted on November 13th, 2006) 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.

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

- a) assessed the adequacy of the organisational, administrative and general accounting structure of the Issuer and strategic subsidiaries at the meetings held to approve the half-year financial report at June 30th, 2010 and the draft financial statements at December 31st, 2010; in particular, the assessment was carried out on the basis of the report submitted by the director in charge of the internal control system and with the assistance of the Internal Control Committee which, at its own meetings – attended also by the compliance officers – (for more information, see below), continuously verified the effective functioning of the Issuer's and the Group's internal control systems, particularly with regard to the strategic subsidiaries; in regard to the latter, the Board of Directors of the parent company Tod's S.p.A. resolved at its November 13th, 2007 meeting 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 11th, 2010 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) determined the compensation of directors delegated with specific duties, as proposed by the Compensation Committee and after receiving the Board of Statutory Auditors' opinion on 27th January 2010;
- c) assessed general operating performance on March 14th 2011 according to the information received from the delegated bodies, comparing achieved results with budgeted targets;
- d) approved the “*Guide lines on particularly significant transactions of Tod’s S.p.a.*” which provide precise criteria to identify transactions executed with third parties, also through subsidiaries, which for their economic, asset or financial relevance shall be subject to the prior examination and approval of the Board. (Following the entry into force of Consob Regulation no. 17221/10 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);
- e) adopted, on 11th November 2010, the Procedure on related parties transaction of Tod’s S.p.A. (hereinafter the “*Procedure OPC*”), in compliance with the provisions of Consob Regulation no. 17221/10, and defining transactions with related parties of a major importance in compliance with the thresholds provided by Annex 3 to Consob Regulation no. 17221/10. It should be noted that, in compliance with Consob Regulation no. 17221/10 and the Procedure OPC, transactions with related parties of a major importance (or the relevant proposal for the Shareholders’ Meeting resolution when of its competence) shall be subject to the approval of the Board, which resolves after obtaining the opinion, stating the favourable reasons, of the Committee of Independent Directors; if the transaction with related parties of a major importance should be carried out by a subsidiary of the Issuer, the Board shall previously examine it, following a binding opinion of the Committee of Independent Directors of the Company;
- f) also on March 14th, 2011, carried out the evaluation of the size, membership and functioning of the Board of Directors and its committees (so called *self-assessment*).

The self-assessment by the Board of Directors has been managed by the Chairman of the Internal Control Committee, who has collected the opinions of the Directors with respect to size, composition and functioning of the Board and of its Committees. The self-assessment concerned, especially: whether size and composition of the Board of Directors are adequate with respect to the Company’s operations, also with reference to the professional expertise represented on the Board of Directors, the total number of Directors and the number of non executive and/or independent directors ratio, the expertise of the independent directors, the provision of timely and complete information and documents to members of the Board and of the Committees prior to the relevant meetings, whether the number of offices held by each director as director and auditor of other companies is compatible with an effective performance of the Director’s office in the Company, the provision of adequate and complete information by delegated bodies during board meetings and finally the evaluation of independence requirements based on the provisions of the law and of the Code.

The Board of Directors met last on 14th March 2011, in order to, *inter alia*, examine the outcome of the self-assessment and it deemed – with the positive advice of the independent directors as well – that the size and composition of the current Board of Directors (comprising of 12 directors, including six without executive authority, four of whom are independent) are fully adequate vis-à-vis the operations of the Company; the independence of the directors has been assessed based on the principles set out both in the law and in the Code.

The outcome of the self-assessment is, especially, on one side, that the number of the directors is adequate with respect to the Company’s operations, as well as the number of the independent directors with respect to the size and activity of the Company, and that the number of the Board members on the non-executive directors ratio is adequate; on the other side the heterogeneous mix of professional

expertise represented on the Board of Directors, and in particular the directors with non-executive authority in economic, accounting, legal and/or financial matters.

The Board of Directors – also with the positive opinion of the independent directors – has praised the functioning of the Board of Directors and its Committees, considering the provision of information and the documents prior to the relevant meetings adequate, complete and on time, and qualifying as adequate and satisfactory the information received by delegated bodies during the board meetings both with reference to the general performance of the Company and to the transactions with related parties of greater importance.

At the end of the self-assessment, the Board has confirmed its resolution not to determine – for the time being – general principles to establish the maximum number of Directors or Statutory Auditor appointments which may be considered compatible with an effective performance of the office as Company Director, but 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.).

In accordance with Article 1.C.2 of the Code, the director's and statutory auditor's seats currently held by certain Directors in other companies listed on regulated markets, including foreign markets, and in financial companies, banks, insurance companies or large companies, at the date on which this Report is approved are outlined in the Table appended hereto as Appendix A.

It is hereby confirmed that the Shareholders' Meeting held on 20th April 2009 resolved to authorise the Directors to accept possible offices and to engage in activities also departing from the competition prohibition envisaged in Article 2390 of the Italian Civil Code. The Board of Directors has the task of assessing the merits of each problem and to inform the first Meeting held concerning any critical situations in compliance with Application Criterion 1.C.4 of the Corporate Governance Code; for this purpose, each Director shall inform the Board, at the date the appointment is accepted, of any activities performed which are in competition with the Company and, subsequently, of every significant change. No specific problems or crucial situations emerged during the 2010 financial year in this regard, which needed to be reviewed by the Board.

4.4 Delegated bodies

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

- the Chairman,
- the Deputy Chairman,
- the Managing Directors (that the Company has appointed in the persons of the Chairman, the Deputy Chairman and the Chief Executive Officer),
- the Executive Committee.

The Chief Executive Officers and the other executive directors, as well as the Executive Committee, are bound, at least on a quarterly basis:

- to report to the Board of Directors on the transactions effected in exercise of their delegated powers, in terms of ordinary transactions as well as atypical and unusual transactions;
- to submit for Board approval, any and all significant transactions, responsibility for which lies solely with the Board of Directors, in accordance with the "Guidelines on particularly significant transaction" approved by the Board of Directors on 11th November 2010,
- to render a complete information, at least on a quarterly basis, to the Board of Directors and to the Board of Statutory Auditors on the execution of transactions with related parties.

As already noted, in respect of Article 1.C.1 of the Code, the Board has formally repeated (in the "Master Resolution" approved on 13th November 2006) the principle that delegated organs and officers

must report to the Board on the activities undertaken in exercise of their delegated powers, at least on a quarterly basis, as required under currently applicable legal and statutory provisions.

The **Chairman**, Mr. Diego Della Valle is also a **Managing Director** 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 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 favor 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. appoint special attorneys-in-fact;
- 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 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;
 - 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.
- 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 favor 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 Last Instance and to revoke and appoint arbitrators and to confer powers of attorney on lawyers and representatives ad litem; to appoint special representatives 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 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;
 - 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 Last Instance and to 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 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 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.

The Board Member Stefano Sincini is also the Director appointed to supervise the internal control system function.

In reference to Article 2 of the Corporate Governance Code, the **Chairman of the Board of Directors**, Mr. Diego Della Valle, is the Issuer's controlling shareholder and Chief Executive Officer. Furthermore, the Board of Directors decided to accept the recommendation regarding appointment of a lead independent director to whom the functions suggested by the Corporate Governance Code would be assigned (illustrated in paragraph 4.7 below).

Furthermore, in regard to Principle 2.P.4 (advisability of not concentrating corporate duties in just one person) and Principle 2.P.5 (illustration of the reasons why delegations of operating authority are granted to the Chairman), the Board of Directors, examining again the issue on March 14th 2011, 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).

The current **Executive Committee**, is made up of the following six members: Diego Della Valle (Chairman), Andrea Della Valle (Deputy Chairman), Fabrizio Della Valle, Emilio Macellari, Stefano Sincini and Vito Varvaro.

The Executive Committee has been appointed by the Board on 20th April 2009 for a three year term expiring upon the approval of the financial statements for fiscal year 2011.

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 pursuant to the resolution of 13th November 2006, in compliance with the principles of Self-regulation, as already described above.

In any event, the Executive Committee is required to submit a summary report to the Board during the first available Meeting— and, in any event, at least on a quarterly basis – concerning the most significant decisions adopted or which, in the Committee's opinion, are to be notified to the Board.

The Executive Committee met 6 times during 2010 and at least 4 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 2 to 5 hours.

The Meetings recorded the regular and diligent participation of its members (in fact, the overall percentage participation was 100%, while the percentage participation of each Committee Member in the Meetings held is indicated in Table no. 2 attached hereto).

During the financial year, the delegated bodies referred to the Board of Directors about the performance of delegated activities in the next available meeting, and in any case, at least once every quarter.

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, the foregoing were conferred with special powers of attorney within the Issuer; Mr. Macellari is also a Director with delegated powers in a number of companies of strategic importance.

4.6 Independent Directors

As already mentioned, after the Directors were appointed, the Board of Directors in the Meeting held on 20th April 2009 and, then on 22nd March 2010 and lastly on 14th March 2011, based on the information provided by each Director, also following the self-assessment, deemed applicable the independence requirements referable to the following Directors: Luigi Abete, Luigi Cambri, Luca Cordero di Montezemolo and Pierfrancesco Saviotti.

The independence principles applied by the Company correspond to the principles established by the applicable regulations and by Article 3 of the Corporate Governance Code.

In this regard, it is hereby confirmed, in view of the fact that greater attention must be paid to substance rather than to form, that for the purposes of the independence assessment, the fact that Mr. Diego Della Valle is a member of the Board of Directors of Ferrari S.p.A. and of Nuovo Trasporto Viaggiatori S.p.A. both chaired by Mr. Cordero di Montezemolo was not deemed to be conditioning for the Director Mr. Luca Cordero di Montezemolo, nor, likewise, was their joint participation in the Share Capital of Nuovo Trasporto Viaggiatori S.p.A. deemed to be conditioning.

Likewise, the fact that Mr. Emilio Macellari is a member of the Board of Directors of Cinecittà Studios S.p.A. and Italian Entertainment Group S.p.A. both chaired by Mr. Luigi Abete was not deemed to be conditioning for the director Mr. Luigi Abete.

Furthermore, the fact that some Independent Directors have held their office for more than nine terms was not deemed by the Board of Directors to be conditioning for their autonomy of judgment.

The Board of Auditors deemed to be correct the principles and procedures adopted by the Board to assess the independence of its Members, in compliance with Application Criterion 3.C.5 of the Code.

It is hereby confirmed that, thereby implementing Application Criterion 3.C.6 of the Code, the Independent Board Members met on 11th November 2010, without the presence of the other Directors, to express their judgment on the adoption by the Company of the "Procedure on transactions with related parties of Tod's S.p.A.", approved by the Board of Directors on the same day in compliance with Consob Regulation no. 17221/10.

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.

The Board therefore, 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:

- to coordinate the activities of the non-executive Directors in order to improve the contribution to the Board's activities and operation;
- to co-operate with the Chairman to ensure that all the Directors are given complete and timely information;
- to convene meetings of only the Independent Directors whenever deemed necessary to execute the duties 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* has 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 11th November 2010, in order to express an opinion – in compliance with art. 4, paragraph 3, of Consob Regulation no. 17221/10 – on the adoption of the Procedure on transactions with related parties of Tod's S.p.A..

5. HANDLING OF CONFIDENTIAL INFORMATION

At its May 15th, 2002 meeting, the Board of Directors approved the document proposed by the Internal Control and Corporate Governance Committee 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 website www.todsgroup.com.

6. BOARD OF DIRECTORS COMMITTEES

At its November 13th, 2006 meeting, the Board of Directors resolved to comply with the principles and criteria applying Article 5 of the Corporate Governance Code. It consequently decided that the establishment and functions of the Committees that were reconstituted in accordance with the Corporate Governance Code are governed by the principles set out in the Code and, in particular:

- Committees shall be made up of at least three members, all whom must be non-executive directors and the majority of whom must also be independent; one of the members of the Internal Control Committee must have adequate experience in accounting and finance;
- 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 necessary Company information and functions, according to the procedures established by the Board of Directors, as well as to avail themselves of external advisers, with the limits established by the Board of Directors;
- 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;
- 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 Chair of the Committee meeting; Committee meetings may be held by conference call or videoconference, on condition that all participants can be identified by the Chairman 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 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 Internal Control and Corporate Governance Committee and the Compensation Committee, both of which are charged with providing advice and making proposals.

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 11th November 2010 has established the Committee of Independent Directors, with the relevant functions and responsibilities which Consob Regulation no. 17221/10 and the Procedure OPC 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 Internal Control and Corporate Governance Committee function.

The relevant functions and responsibilities which Consob Regulation no. 17221/10 and the Procedure OPC 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 Internal Control and Corporate Governance 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.

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

8. COMPENSATION COMMITTEE

In compliance with principle 7.P.3 of the Code, the Board of Directors of Tod's S.p.A., has established the Compensation Committee with advisory and suggestion functions.

In the Board Meeting held on 20th April 2009, the Board resolved to confirm the structure of the Compensation Committee for the 2009-2011 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 2010 on 27th January 2010 with a 66,6% overall attendance (the percentage attendance of each Committee Member in the meetings held is indicated in the Table no. 2 attached hereto as an appendix). The Meeting's duration corresponded to approximately thirty minutes and no outsiders attended the meeting.

During the current financial year, the Compensation Committee has not met yet, but at least one meeting is scheduled.

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 7.C.4 of the Code, albeit, without an express rule in this sense.

The Compensation Committee is vested with the following duties, in accordance with Application Criterion 7.C.3 of the Code:

a) submit proposals to the Board of Directors for the compensation of Managing Directors and the other directors that hold specific positions, in accordance with the principles recommended in the Code, and monitoring the decisions taken by the Board of Directors itself;

b) annually assess the principles adopted for the compensation of key executives, while monitoring their application on the basis of the information provided by the Managing Directors; make general recommendations in this regard to the Board of Directors.

During the current financial year, in the meeting held on 27th January mentioned above, the Compensation Committee has met to resolve on the proposals to compensate the Directors assigned 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 fulfill 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.

The Shareholders' Meeting has the exclusive prerogative of determining the compensation to be paid to directors for their membership on the Company's Board of Directors and its Committees. However, the Shareholders' Meeting defers to the Board of Directors the task of setting the compensation of those directors that hold special duties pursuant to article 2389, paragraph 3, of the Italian Civil Code, on the basis of a specific proposal made by the Compensation Committee.

9. DIRECTORS' COMPENSATION

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 7.P.2 of the Code, it is hereby confirmed that:

- I. a significant part of the compensation of the Chairman and Managing Director Diego Della Valle, the Deputy Chairman and Managing Director Andrea Della Valle is linked to achieving the performance targets established by the Board of Directors,
- II. 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,
- III. as of the date of approval of this Report, there are no further incentive mechanisms which envisage any remuneration for other executive Directors.

The implementation of stock option incentive plans based on financial instruments for the benefit of executive Directors and Managers with strategic functions is not expected.

In compliance with Application Criterion 7.C.2 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; moreover, the non-executive Directors are not involved in stock option incentive plans.

Pursuant to art. 123-*bis*, par. 1, lett. *i*), of UFA and in compliance with Consob's queries *ex art.* 114, par. 5 of UFA included in Notice no. DEM/11012984 dated 24th February 2011, 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 favor 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.

10. INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE

The Internal Control and Corporate Governance Committee carried out the duties envisaged in the Corporate Governance Code.

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 its April 20th, 2009 meeting to reconstitute the Internal Control and Corporate Governance Committee. Its members are the following directors without executive authority, a majority of whom are independent: Maurizio Boscarato (Chairman), Luigi Cambri and Pierfrancesco Saviotti.

During the year 2010, the Internal Control and Corporate Governance Committee has met 8 times and for the current financial year 6 meetings have been scheduled (3 of which have been already held). Usually the Committee meetings last for approximately one hour.

The Internal Control and Corporate Governance Committee met regularly with a 91,7% overall attendance (the percentage attendance of each Committee Member in the meetings held is indicated in the Table no. 2 attached hereto as an appendix).

During the financial year, three non executive Directors, in majority independent, have sat in the Internal Control and Corporate Governance Committee. The professional experience of the members of the Committee (i) ensures that the Committee disposes of adequate knowledge about accounting and financial matters and (ii) 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.

The Internal Control and Corporate Governance Committee has been charged with providing advice and making proposals as follows, in accordance with the Application Criterion 8.C.3 set out in the Corporate Governance Code, except for indents d) and e) of the above mentioned Criterion, and which the Company intends to follow in compliance with the provisions of the law and recently of Legislative Decree no. 39/10:

- a) assist the Board of Directors in carrying out the duties indicated in Article 8.C.1. of the Code;
- b) in collaboration with the Chief Accounting Officer and the auditors, assess proper use of accounting standards and their uniformity during preparation of the consolidated financial statements;
- c) on request by the specifically designated director with executive authority, express opinions on specific aspects relevant to identifying the principal risks faced by the Company and designing, setting up and managing the internal control system;
- d) examine the work plan prepared by the compliance officers and the periodic reports prepared by them;

e) report to the Board of Directors on their activity and the adequacy of the internal control system at least once every six months, when the annual and half-year reports are approved.

Also in regard to Article 8 of the Code, the Board of Directors assigned the Board of Statutory Auditors the responsibility of reviewing the proposals made by the independent auditor in order to be retained for that position, as well as the work plan prepared for auditing and the results set out in the report and in any letter of suggestions. This choice appears to be consistent with assignment to the Board of Statutory Auditors of the task of proposing to the Shareholders' Meeting that an accounting firm be retained as independent auditor.

In compliance with the provisions of art. 13 and art. 19 of Legislative Decree no. 39/10, the Board of Statutory Auditors – as recalled under the Guidelines of the Internal Control System of the Tod's Group – has been charged with the following:

- assess the proposals made by independent auditors in order to be retained for that position, as well as the work plan prepared for auditing and the results set out in the report and in any letter of suggestions. This choice appears to be consistent with assignment to the Board of Statutory Auditors of the task of proposing to the Shareholders' Meeting that an accounting firm be retained as independent auditor;
- monitor the process for spreading financial information;
- monitor the efficient functioning of the Internal Control System, the internal audit, if applicable, and the risk management;
- monitor the accounting audit process for the Company and the consolidated annual financial statements.
- monitor the independence of the auditor or the accounting firm, especially with respect to the provision of non-auditing services to the Issuer.

At last, it should be noted that the Internal Control and Corporate Governance Committee has been charged with the relevant functions and responsibilities which Consob Regulation no. 17221/10 and the Procedure OPC 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 2010 financial year, and in particular, the Chairman illustrated to the collective administrative body the Committee's assessments of the overall adequacy, effectiveness and efficiency status of the internal control system at the date of the Board Meeting to approve the half-yearly financial Report as at 30 June 2010, and at the date of the Board Meeting to approve the draft Financial Statements as at 31 December 2010.

The Meetings of the Committee were attended by the Chairman of the Board of 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 Executives in charge of the Internal Control function, by the Executive Director appointed to the internal control system functional operations and by the Director in charge of drawing up the corporate accounting documents.

Minutes were drawn up regularly for the Meetings of the Internal Control and Corporate Governance 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 Internal Control 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 SYSTEM

The Board of Directors adopted its own guidelines for the internal control system (the “Guidelines”), also for the purpose of enhancing and optimising the internal control system both within the Company and within the Tod’s Group in overall terms, with particular reference to the subsidiary companies identified as “having strategic importance”, in accordance with Article 1 of the Code.

Following the entry into force of the Unified Act on the audit of annual and consolidated financial statements (Legislative Decree dated 27/01/2010 no. 39), the Board of Directors has updated the Guidelines with regard, in particular, to the duties vested by the law in the Board of Statutory Auditors (please refer especially to art. 19 of Legislative Decree 39/2010) and with regard to the influence of the new provisions of law on the partition of responsibilities within the administrative body, with particular reference to the performance of the internal control activity. In the document, adopted with board resolution dated 22nd July 2010, reference has been made, in a specific paragraph, to the role of the Supervisory Body of the Company, established pursuant to Legislative Decree 231/2001.

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

Existing risk management and internal control systems in relation to the financial information process, also consolidated financial information

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 transactions with related parties, 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 principal features of 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 and 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 Internal Audit function and the Internal Control officers in charge that perform independent checks concerning the control system's operations and support the Executive Director in charge in the System monitoring activities;
- is supported by the Function Managers involved that assure the completeness and reliability of the information flows submitted 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 Internal Control Committee and with the Board of Directors, reporting on the activities performed and the adequacy of the Internal Control 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 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 Unified Financial Act (UFA).

The Board assessed the adequacy of the Issuer's organisational, administrative and general accounting structure and the respective structure of the subsidiary companies of strategic importance, at the date of the meetings held to approve the half-yearly financial Report as at 30 June 2010 and the draft Financial Statements as at 31 December 2010, thereby executing Application Criterion 8.C.1, sub-section c) of the Code; in particular, the assessment was adopted on the basis of the report prepared by the Executive Director appointed to the internal control system function and with the Internal Control Committee's support that, in the framework of its own Meetings – which were also attended by the Directors in charge of performing the internal control activities – (as described later), was able to verify the actual functioning of both the Issuer's and the Group's internal control system on an on-going basis, with particular reference to the companies of strategic importance.

Lastly, in the Meeting held on 14th March 2011, the Board of Directors, with the support of the Internal Control Committee, expressed a positive assessment concerning the status of the internal control system, deeming the system to be adequate in overall terms, efficient and effectively functioning.

11.1 Executive Director in charge of the Internal Control System

The Board of Directors has appointed, *inter alia*, the Board Member Stefano Sincini to the position of Executive Director appointed to supervise the internal control system functions. The above-mentioned Board Member is responsible for the following duties:

- a) identifying the principal risks faced by the Company (considering the characteristics of the activities carried on by the Company and its subsidiaries) and periodically submit these principles to examination by the Board of Directors and the Internal Control and Corporate Governance Committee;
- b) implementing the Guidelines by having the internal control system designed, set up and managed, while constantly monitoring its overall adequacy, effectiveness and efficiency, all in compliance with the provisions of the Guidelines; adapting this system to the changes in operating conditions and the statutory and regulatory framework;
- c) proposing nomination, dismissal and compensation of the Group Compliance Officers to the Board of Directors, while also informing the Internal Control and Corporate Governance Committee thereof.

The Executive Director appointed to manage the internal control system identified the principal corporate risks (strategic, operational, financial and compliance) during 2010, 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 Internal Control Committee, in compliance with Application Criterion 8.C.5, sub-section a) of the Code; lastly, at the date of the Meeting to approve the draft Financial Statements as at 31 December 2010, the Executive Director illustrated to the Board of Directors his assessment concerning the identification of corporate risks (so-called risk assessment), submitting to the Board the relevant risk management policy.

Mr. Sincini, Director, executed the Guidelines in the 2010 financial year, verifying constantly the overall adequacy, effectiveness and efficiency of the internal control system, and adapting the system concerned to the dynamics of the operating conditions and the legislative and regulatory scenario, in compliance with Application Criterion 8.C.5, sub-section b) of the Code; lastly, the Board was also given information during the Board Meeting held on 14th March 2011 concerning the adequacy of the internal control system in relation to the applicable provisions, also referred to the regulatory provisions.

It is hereby confirmed that the Director Mr. Sincini did not propose to the Board the appointment, revocation or compensation of one or more Executive Directors in charge of the Internal Control function during the 2010 financial year (there were no changes in this regard compared to the previous financial year).

11.2 Directors in charge of the Internal Control

The Board of Directors appointed two Directors in charge Internal Control duly appointed to verify that the internal control system is always adequate, fully operational and functioning, in compliance with Article 8 of the Corporate Governance Code.

Mr. Alessandro Recchioni and Mr. Gianluca Tortorelli are the Company's officers in charge with the Internal Control at the approval date of this Report; the foregoing Officers were duly appointed by the Board based on a proposal by the Executive Directors appointed to supervise the internal control system's functional operation and after having heard the opinion of the Internal Control and Corporate Governance Committee; the two Internal Control Officers, respectively, are responsible for the following areas:

- A) Supply Chain, Administration and Finance, Human Resources;
- B) Management Control, Style, Sales & Distribution, Investor Relations.

With reference to Application Criterion 8.C.1 of the Code, the compensation of the Internal Control Officers is defined in accordance with the Company's corporate policies.

In compliance with Application Criterion 8.C.6, sub-section b) of the Code, the Internal Control Officers are not responsible for any operating area, and in terms of hierarchy, do not report to the Managers of the respective operating areas.

Staff assigned to Internal Control shall also be in charge, within the limits of their job descriptions, of the functions contemplated in Article 6 of the Guidelines, and, in particular, the two staff members in question shall:

- a) illustrate to the Internal Control Committee – even through a single document – their proposed annual works schedule, in a timely manner with a view to enabling the said Committee to discharge its duties, and more specifically, to formulate recommendations and suggestions in such regard;
- b) assist the Director in charge of internal control system in designing, managing and overseeing the internal control system and identifying risk factors;
- c) schedule and carry out, in accordance with the annual work plan, direct and specific checks on the areas of competence of the Issuer and all the other Group companies, with special reference to subsidiaries having strategic relevance, with a view to identifying shortfalls in the Internal Control System in the various risk areas;
- d) check, each up to the limits of his or her job description, that internal control rules and procedures are complied with and that all persons involved operate in accordance with pre-set targets. More specifically, the said staff members shall:
 - d.1) check the reliability of information flows, including automatic data systems and systems for the bookkeeping and the archiving of administrative records.
 - d.2) check, within the framework of the work plan, that the procedures adopted by the Issuer and the Group comply with all applicable statutory and regulatory provisions.
- e) moreover investigate specific irregularities, whenever they deem fit or at the request of the Board of Directors, the Internal Control Committee, the Director in charge of Internal Control or the Board of Statutory Auditors;
- f) ensure, using appropriate procedures, that the irregularities encountered in the functioning and implementation of the internal control system, are eliminated;

g) keep orderly records of all activities undertaken; these records must be made available to the persons in charge of the internal control processes upon request;

h) disclose their findings in specific Audit Reports to the Director in charge of Internal Control, the Internal Control Committee – and the Statutory Auditors - and the person in charge of the checks; in the case where auditing activities also involve Group companies, the Audit Reports must also be submitted to the relevant organs of the companies in question. The said staff members shall also analyse business risks to identify shortfalls in the Internal Control System and recommend corrective actions; the shortfalls identified and the recommended corrective actions shall be covered in the related Audit Reports;

i) at least twice a year, and in any event, in time to allow the Internal Control Committee and the Board of Directors to discharge their respective duties at Board meetings called for the approval of the draft financial statements and draft half-yearly financial reports, draw up – even in a single document – a half-yearly summary of the main events that occurred during the six months in question and throughout the year. The report compiled for the Board meeting called for the approval of the draft financial statements, must also contain an update of the business risks identified during the year;

l) report on their activities, forwarding all the reports mentioned in points h) and i) above, to the following organs and officers:

- the Executive Director in charge of Internal Control and any and all organs delegated by Group companies subjected to checks, inspections or audits;
- the Internal Control Committee, the meetings of which the said staff members shall attend at the invitation of the said Committee.

The Internal Control Committee shall ensure that the reports on items placed on the agenda of Board meetings are forwarded to the other Board members in a timely manner. The Board of Auditors must be provided with the said documents at Internal Control Committee meetings;

m) immediately inform the Director in charge of Internal Control and the relevant delegated corporate organs and offices, of any and all problems requiring urgent action, further forwarding a report on their activities to the Internal Control Committee and the Board of Auditors.

The Internal Control Officers performed the checks on the areas within their jurisdiction during 2010 in compliance with the requirements envisaged in the annual work Plan referred to the 2010 financial year, as prepared by them and presented to the Internal Control Committee on 26th January 2010.

The Internal Control Officers have access to all the information necessary to perform the duties and reported their findings to the Internal Control Committee and to the Chairman of the Board of Auditors, as well as to the Executive Director appointed to supervise the functional operation of the internal control system, in compliance with Application Criterion 8.C.6, sub-section e) of the Code.

It is hereby confirmed that the Board of Directors has not allocated an ad hoc budget available to the Internal Control Officers, but from time to time the Company makes available to the Officers the resources necessary to perform their functions.

As stated, at the approval date of this Report, Mr. Gianluca Tortorelli is the Company's officer in charge of the internal control function for the management Control, Style, Sales & Distribution, Investor Relations areas, and Mr. Alessandro Recchioni is the Company's officer in charge of the Supply Chain, Administration and Finance, Human resources areas, duly appointed on the basis of a proposal made by the Executive Director appointed to supervise the control system's functional operation and after hearing the opinion of the Internal Control and Corporate Governance Committee.

On 26th January 2010 the Internal Control Committee examined the annual work plan referred to the 2010 financial year presented by the Internal Control Officers.

The Internal Control Committee carefully examined the activities performed by the Internal Control Officers during 2010, each related to the area within its own jurisdiction; the assessments reported by the Officers in the corresponding Audit Reports did not highlight any particular critical situation or anomaly in the various corporate areas involved in the monitoring activities, identifying due compliance by all the persons involved, with the internal control rules and procedures adopted by the Company, as well as their reasonable compliance with the established objectives. Also in view of the Audit Reports prepared by the Officers, the Internal Control Committee has expressed repeatedly, most recently on 9th March 2011, its positive and favourable opinion concerning the accuracy and effective operation of the Internal Control System adopted by the Group.

It is hereby confirmed that on 18th January 2011, during the current financial year, the Internal Control Committee examined the plan of activities scheduled by the Officers and referred to the 2011 financial year.

In accordance with Application Criteria 8.C.7 and 8.C.8 of the Code, it is hereby confirmed that the Internal Control Officers in the performance of their functions rely on the internal audit function support, which is not outsourced to parties outside the Company, not even partially, and it is therefore implemented within the business.

11.3 Compliance Programme pursuant to Legislative Decree 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 programme 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 organisational Model intends to prevent correspond to the offences envisaged in Legislative Decree no. 231/2001.

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

- ☒ fostering awareness in the Model's recipients 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 Model's provisions 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. 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 20th April 2009, and comprises the following persons: Board Member Luigi Cambri, the Chairman of the Board of Statutory Auditors, Enrico Colombo and the Internal Control Officer, 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.

11.4 Independent auditor

The company retained to audit TOD'S S.p.A. and its other subsidiaries is Deloitte & Touche S.p.A., pursuant to the resolution of the Ordinary Shareholders' Meeting of April 28th, 2006.

Its mandate will expire upon approval of the annual report at December 31st, 2011.

11.5 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.

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, Dr. 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 Legislative Decree no. 58/98 (UFA) 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.

12. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

As stated before, the Board of Directors, in compliance with Consob Regulation no. 17221/10 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 11th November 2010 on the internal procedure implementing the new 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 "*Procedure OPC*"), the full text being available in the Section

Corporate Governance of the website www.todsgroup.com, and which has entered into force on 1st January 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 OPC, 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 Consob Regulation no. 17221/10, and responsibility for which lies solely with the Board of Directors.

The Procedure OPC 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 OPC provides that the relevant functions and responsibilities which Consob Regulation no. 17221/10 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 Internal Control and Corporate Governance Committee. As stated before, on 11th November 2010 a Committee composed solely of independent directors has been established (the “Committee of Independent Directors”). 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 Consob Regulation no. 17221/10 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 OPC.

Considering that the Issuer complies with the Corporate Governance Code, the definition of “*independence*” relevant for the Procedure OPC – 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 OPC 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 OPC waives, in compliance with the provisions of Consob Regulation no. 17221/10, 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 Consob Regulation no. 17221/10.

Any amendment to the Procedure OPC shall be approved by the Board of Directors following a favourable opinion of the Committee of Independent Directors.

As known, during the financial year 2010, Tod's purchased the entire share capital of Holpaf BV (owner of the "Omotesando building", in Tokyo) by Goral Investment Holding BV, a related party, referable to Mr. Diego and Mr. Andrea Della Valle (and indirectly controlled by the former).

Thus, considering the nature of the counterparty, Tod's S.p.A. – in adherence with its tradition of conforming to the market "best practice" – decided, since the project was initiated and while awaiting approval of the Regulation on related parties by Consob, which was still in its "consultation" phase at the time:

- i) to subject the Acquisition to detailed examination involving, inter alia, complete and prompt transmission of material information to the Internal Control Committee of the Board of Directors, comprised by directors without executive authority who are mostly independent, which commissioned specific opinions by independent experts;
- ii) to draft a Disclosure Document in compliance with the requirements set out in the new Annex 3 of the Regulation, while also taking into account – even if it were not in force at the date the purchase agreement was signed – the thresholds envisaged by applicable laws and regulations as at 1 December 2010.

In other words, the Company has followed a procedure which has resulted *ante litteram* compliant with the principles then expressed by Consob; in details:

- a) the Delegated Bodies presented the results of a preliminary investigation to the Internal Control and Corporate Governance Committee, coordinating with the Committee for any further activity, in order to put the Committee in a position to express an independent opinion on the Transaction, having a regular and full access to all the relevant information;
- b) the Internal Control Committee held several meetings for the purpose of examining the work done to study the feasibility and economic potential of the Transaction, also appointing its own independent experts;
- c) after all the relevant documentation was acquired, including the appraisals and opinions given by the independent experts, the entire Internal Control Committee issued a unanimous favourable opinion on Tod's contractual purchase proposal to Goral Investment Holding BV.

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*").

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 candidate and voting lists 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 list that received the second highest number of votes.

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 1,5% of the share capital, as provided by Consob resolution no. 17633 dated 26th January 2011, at the approval date of this Report – may present a list that must be registered at the registere office of the Company within the term set out under art. 147-ter, par. 1-bis, of UFA, i.e. considering legislative updates occurred in 2010, 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. Each list is to be complete with the information requested, in accordance with the provisions of law and the applicable regulations; a list where the foregoing statutory requirements have not been observed is deemed not to have been presented.

If just one list (or lists “connected” to each other according to the law or regulations) has been deposited by the deadline, other lists 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 list 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 list of those that are not connected pursuant to the law and regulations with the Shareholders that submitted or voted for the list receiving the highest number of votes.

If an auditor is substituted, the alternate auditor included on the same list as the substituted auditor takes over; if the Chairman is substituted, the Chairmanship position is taken by the deputy member who takes over from the Chairman no longer in office. The Meeting called to reintegrate the Board of Statutory Auditors in accordance with the law shall proceed while ensuring compliance with the principle of minority interest representation.

14. STATUTORY AUDITORS

The composition of the Board of Statutory Auditors in office at 31st December 2010 is indicated in Table no. 3 attached as an appendix hereto, with the clarification that all Statutory Auditors were appointed, based on the proposal by the majority Shareholder DI. VI. Finanziaria Sapa di Diego Della Valle & C., from the sole list presented by the majority Shareholder concerned, with a resolution passed by the Shareholders' Meeting held on 22nd April 2010, duly adopted with the unanimous votes of those Shareholders present. The Board of Statutory Auditors will fall from office with the approval of the Financial Statements as at 31 December 2012.

7 meetings are scheduled for the current financial year (of which one has already taken place). In general, the Board of Statutory Auditors' meetings have an average duration that varies from 2 to 3 hours.

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

It is hereby confirmed that no changes occurred in the structure of the Board of Auditors from year-end to the approval date of this Report. The personal and professional characteristics of each Auditor are detailed below.

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 account, he has been registered since 1986 in the Milan Register of Professional Accounts. 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 an accountancy firm in Milan; he is an expert in finance and real estate taxation

Gian Mario Perugini was born in Montecosaro (MC) on August 9th, 1933. He graduated in Business and Economics at the University of Perugia. A professional certified public accountant, he has operated his own accounting firm since 1960 in Civitanova Marche.

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 10.C.2 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.

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 10.C.4 of the Code

The Board of Statutory Auditors has supervised the independence of the audit company, implementing Application Criterion 10.C.5 of the Code, and has verified compliance with the regulatory provisions which discipline the subject, and the nature and extent of the various accounting control services rendered to the Issuer and to its subsidiaries by the same audit company and the entities which form part of the audit company's network.

Lastly, it is hereby confirmed that the Board of Statutory Auditors performed its activities, also coordinating with the Internal Control Officers and with the Internal Control Committee.

15. SHAREHOLDER RELATIONS

The “Corporate Governance” section of the Company website www.todsgroup.com contains all information that Shareholders need to exercise their rights, in compliance with Application Criterion 11.C.1 of the Code.

In reference to the provision of Article 11 of the Corporate Governance Code issued (at the time in the November 1999 version) by the Corporate Governance Committee of listed companies, the “framework resolution” approved by the Company Board of Directors at its October 13th, 2000 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 provided itself with a corporate structure in charge to manage relations with the Shareholders. 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

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 website is structured to provide an easy access for the public to information concerning the Issuer.

16. SHAREHOLDERS' MEETINGS

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 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, in compliance with the provisions of art. 83-*sexies* of UFA.

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 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.

The provision, identifying in the use of the certified electronic mail (CEM) a way to notify proxies electronically, has been recently introduced by the Board of Directors, thus implementing – pursuant to the combined application of art. 2365, paragraph 2° of the Civil Code and of art. 24 of the Articles of Association, providing for the self-adjustment of the Articles of Association to the provisions of the law – art. 135-*novies*, paragraph 6° of UFA, and completing the process aimed at making the Articles of Association compliant with Legislative Decree no. 27/2010, initiated during the Extraordinary Meeting held on 22nd April 2010.

Moreover, in accordance with Article 11 of the Articles of Association and Application Criterion 11.C.3 of the Code, 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. As already stated, 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 website: www.todsgroup.com.

The next Shareholders' Meeting shall be called, *inter alia*, to discuss and resolve on the proposal to update the mentioned Regulation, also considering the new legislative provisions issued for the implementation of Directive 2007/36/CE, already mentioned many times before; at the same time reference to provisions of the law and the Articles of Association included in the Meetings Regulations and which are now out of date shall be amended, also considering the amendments occurred to the provisions of the law and the Articles of Association in the course of time.

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.

With reference to Application Criterion 11.C.6 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 stock exchange indexes.

With respect to the ownership structure of the Issuer, please note that on 15th December 2010, in order to increase the capitalization of the Company, aimed to facilitate investments by primary institutional investors, the Della Valle family, through an "*Accelerated Bookbuilt Offer*" assisted by Mediobanca, has transferred to institutional investors a block of 3.060.000 shares, for a total price of Euro 76 each. The shares placed in the transaction have been offered for the 6.08% by Diego Della Valle & C. S.A.p.A., for the 1.96% by Mr. Diego Della Valle and for the 1.96% by Mr. Andrea Della Valle.

Following the transfer, as of 31st December 2010 the direct and indirect share capital ownership of Mr. Diego Della Valle, Chairman of the Board of Directors, has decreased to 56.762% compared to the previous 64.799%.

17. CHANGES SINCE THE END OF THE REPORTING PERIOD

There has been no changes in the Company governance structure between the closing date of the 2010 financial year and the approval date of this Report.

Milan, 14th March 2011

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%	Elettronic 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 Sapa di Diego Della Valle & C.	16.426.172	53,664%
- indirectly through Diego Della Valle & C. SapA	696.452	2,275%
OPPENHEIMERFUNDS INC.	1.718.656	5,615 %
ARNAULT BERNARD through Delphine s.a.s.	1.059.900	3,462 %
FIL LIMITED	640.288	2,090%
BLACKROCK INC.	617.777	2,018%
PICTET ASSET MANAGEMENT LTD.	614.067	2,006 %

TABLE 2: BOARD OF DIRECTORS AND COMMITTEES STRUCTURE

Board of Directors											Internal Control Committee		Remun. Committee		Executive 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	20/04/2009	31/12/2011	M	X				100	11					X	100
CEO	Andrea Della Valle	20/04/2009	31/12/2011	M	X				100	2					X	100
CEO	Stefano Sincini	20/04/2009	31/12/2011	M	X				100	0					X	100
Director	Luigi Abete	20/04/2009	31/12/2011	M		X	X	X	42,9	13			X	100		
Director	Maurizio Boscarato	20/04/2009	31/12/2011	M		X			100	1	X	100				
Director	Luigi Cambri	20/04/2009	31/12/2011	M		X	X	X	100	1	X	87,5	X	100		
Director	Luca Cordero di Montezemolo	20/04/2009	31/12/2011	M		X	X	X	42,9	8						
Director	Emanuele Della Valle	20/04/2009	31/12/2011	M		X			28,6	2						
Director	Fabrizio Della Valle	20/04/2009	31/12/2011	M	X				71,4	0					X	100
Director	Emilio Macellari	20/04/2009	31/12/2011	M	X				100	4					X	100
Director	Pierfrancesco Saviotti	20/04/2009	31/12/2011	M		X	X	X	57,1	6			X	0		
Director	Vito Varvaro	20/04/2009	31/12/2011	M	X				100	2					X	100
LID	Pierfrancesco Saviotti	20/04/2009	31/12/2011	M		X	X	X	100		X	87,5				
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

Identify the quorum required for the presentation of lists during the last meeting held for the appointment of directors on 20th April 2010: 2% (Consob Resolution no. 16779 dated 27/01/2009)

No. meeting held during the relevant Year:		BoD: 7	ICC: 8	RC: 1	CE: 6
--	--	--------	--------	-------	-------

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							
Position	Members	In office since	In office till	List (M/m)*	Independence according to the Code	** (%)	Number of other offices ***
Chairman	Colombo Enrico	22/04/2010	31/12/2012	M	X	100	11
Effective Auditor	Redaelli Fabrizio	22/04/2010	31/12/2012	M	X	83	19
Effective Auditor	Perugini Gian Mario	22/04/2010	31/12/2012	M	X	100	8
Alternative Auditor	Gaetani Gilfredo	22/04/2010	31/12/2012	M	X		
Alternative Auditor	Foschi Massimo	22/04/2010	31/12/2012	M	X		
STATUTORY AUDITORS WHO CEASED FROM THE OFFICE DURING THE RELEVANT FINANCIAL YEAR							
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Identify the <i>quorum</i> required for the presentation of lists during the last meeting held for the appointment of statutory auditors on 22 nd April 2010: 2% (Consob Resolution no. 17148 dated 27/01/2010)							
Number of meetings held during the relevant financial year: 6							

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 the 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 REPORT FOR 2010

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	General Partner and Director	Diego Della Valle & C. - S.A.P.A.
	General Partner and Director	DI.VI. Finanziaria - S.A.P.A.
	Director	Le Monde Europe S.A.
	Director	Ferrari S.p.A.
	Director	Compagnia Immobiliare Azionaria S.p.A.
	Director	L.V.M.H. Moet Hennessy LouisVuitton
	Director	RCS Mediagroup S.p.A.
	Director	Assicurazioni Generali S.p.A.
	Director	Nuovo Trasporto Viaggiatori S.p.A.
	Sole Director	DDV partecipazioni S.r.l.
Director	Marcolin S.p.A..	
Luca Cordero di Montezemolo	Chairman and Chief Executive Officer	Ferrari S.p.A.
	Chairman	Nuovo Trasporto Viaggiatori S.p.A.
	Chairman	Montezemolo & Partners SGR
	Chairman	Charme Management S.r.l.
	Member of Supervisory Board	PPR-Pinault/Printemps Redoute
	Advisory Board	Citygroup New York
	Director	Poltrona Frau S.p.A.
	Director	Editrice La Stampa
Luigi Abete	Chairman	Banca Nazionale del Lavoro S.p.A.
	Chairman	Cinecittà Studios S.p.A.
	Chairman	Civita Servizi S.r.l.
	Chairman	E.P.S. S.p.A.
	Chairman	Assonime – Associazione tra le S.p.A. Italiane
	Chairman	Italian Entertainment Group S.p.A.
	Chairman	A.BE.T.E. S.p.A.
	Chief Executive Officer	Cinecittà Entertainment S.p.A.
	Director	Marcolin S.p.A.
	Director	Il Sole 24 Ore S.p.A.
	Director	ArtigianCassa S.p.A.
	Director	Investimenti S.p.A.
	Director	Fineldo S.p.A.
Pier Francesco Saviotti	Chief Executive Officer	Banco Popolare Soc. Coop.
	Director	F.C. Internazionale Milano S.p.A.
	Director	Brembo S.p.A.
	Director	Moncler S.r.l.

Pier Francesco Saviotti	Director Chief Executive Officer	Nuovo Trasporto Viaggiatori S.p.A. Stefanel S.p.A.
-------------------------	-------------------------------------	---

Emilio Macellari	Director Director Director Director	Cinecittà Studios S.p.A. Marcolin S.p.A. Italian Entertainment Group S.p.a. Dorint Holding SA
------------------	--	--

Andrea Della Valle	Director Sole director	ACF Fiorentina S.p.A. ADV Partecipazioni S.r.l.
--------------------	---------------------------	--

Maurizio Boscarato	Director	Marcolin S.p.A. -
--------------------	----------	-------------------

Emanuele Della Valle	Chairman Director	Formapura S.r.l. Cinecittà Entertainment S.p.A.
----------------------	----------------------	--

Luigi Cambri	Director	Arca Impresa Gestioni SGR
--------------	----------	---------------------------

Vito Varvaro	Director Director	Marcolin S.p.A. Piaggio S.p.A.
--------------	----------------------	-----------------------------------