

Tod's s.p.a.

**Annual Report on Corporate
Governance for the year 2006**

Introduction

On 14 March 2006, the Corporate Governance Committee of Listed Companies (promoted by Borsa Italiana S.p.A. and made up of the representatives of some of Italy's major corporations and experts in the field), published the new edition of the Corporate Governance Code (hereinafter also referred to as the "New Code").

As anticipated in the Annual Report on Corporate Governance for last year, already in 2006, Tod's S.p.A.'s Board of Directors examined the self-regulatory principles introduced by the New Code, and, at the recommendation of the Internal Control and Corporate Governance Committee, on 13 November 2006, approved resolutions for the adoption and implementation of the same pursuant to the terms and conditions illustrated in greater detail in this Report.

In compliance with statutory provisions and the instructions to Borsa Italiana's Market Rules, as well as taking account of the Notice published jointly by Borsa Italiana and Assonime on 16 November 2006, Tod's S.p.A.'s Board of Directors provides in this document, full information on its Corporate Governance system, especially in light of the principles introduced by the New Code.

It must be pointed out that as at the date of this writing, no further "Guidelines" have been imparted to Issuers, in addition to those published by Borsa Italiana S.p.A. on 11 February 2003, as entrenched and developed in the "Handbook on Corporate Governance Reports" drawn up by Assonime and Emittenti Titoli, in consultation with Borsa Italiana in February 2004. As a result, this Corporate Governance Report follows the structure of the same report for the previous year, with certain extensions and/or changes in light of the application criteria and principles set forth in the New Code, with a view to making it easier for market operators to evaluate the implementation of the New Code. References in Articles of Association in this report, are to the Articles of Association and By-laws in force as at 31 December 2006.

PART I: GENERAL CORPORATE GOVERNANCE STRUCTURE

1.1 The Company's Corporate Governance Structure in general

Tod's S.p.A.'s corporate governance system is based on the conventional (so-called "Latin") model. Accordingly, the Company's corporate organs include the General Meeting of Shareholders, the Board of Directors and the Board of Auditors. The Board of Directors is, in turn, made up of Board Committees: the Executive Committee, the Internal Control and Corporate Governance Committee and the Remuneration Committee. The last two are charged with providing advice and making recommendations aimed at streamlining the functioning and activities of the Board.

A) The General Meeting of Shareholders: the powers, role and functioning of the General Meeting of Shareholders are established under law and the Company's Articles of Association, to which full reference is made in this report. It must be pointed out that on 5 August 2000, the Ordinary General Meeting of Shareholders approved the Rules governing the orderly and effective conduct of the Company's ordinary and extraordinary General Meetings of Shareholders. These Rules are available for consultation on the Company's website, www.todsgroup.com.

B) The Board of Directors: the Board of Directors is made up of between three and fifteen members, 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 transfers of the Company's registered offices within Italy, and amendments to the Articles of Association, with a view to bringing the same in line with applicable regulations.

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, and (iv) ratifying significant transactions with related parties.

C) Board Committees: as already pointed out, an Executive Committee is appointed within the Board. The purpose of the Committee is to ensure streamlined decision-making procedures, thanks to its ability to meet frequently, and therefore, to make timely decisions.

The Executive Committee is invested with all the powers not expressly reserved to the competence of the Board of Directors under law, the Articles of Association, or the Self-regulatory 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 felt for the appointment of a Nomination Committee.

D) The Board of Auditors: made up of three auditors and two alternates, the Board of Auditors is the Company's management control organ and is tasked with ensuring that, in all its operations, the Company complies with any and all applicable laws, the instruments of incorporation, and the principles of correct administration, and imparts adequate instructions to its internal organs and subsidiaries. The Board of Auditors must also monitor the adequacy the Company's organisational structure and its internal control and administrative accounting system, carrying out all the necessary checks.

Following the addition of Article 149, paragraph 1(c-*bis*) to Legislative Decree no. 58/98 through the so-called "Law on Savings", the Board of Auditors is also entrusted with overseeing the procedures for the concrete implementation of the corporate governance rules provided for in codes of conduct drawn up by the management companies of regulated markets or by trade associations that the company, by means of public disclosures, declares it complies with.

1.2 Corporate Governance Policy

As already highlighted in previous Annual Reports, the most recent resolutions passed by the Company's Board of Directors on corporate governance (described in greater detail below) are fruit of ongoing efforts to bring the governance of the Company and the Tod's Group, in line with the best practices followed on the market.

The Board of Directors of Tod's S.p.A. – which is the company (the "Parent Company") that exercises management and coordination activities in respect of its subsidiaries belonging to the group of the same name – approved the document entitled "Tod's S.p.A. Group's Guidelines on

Particularly Significant Related Party Transactions” (the “Guidelines”) that identify the significant transactions effected with third and related parties, including through subsidiaries, subject to approval by the Parent Company’s administrative organ: in such regard, the delegated organs have been issued specific instructions to ensure compliance with the principles entrenched in the Guidelines, the full contents of which are set forth below.

In light of the Self-regulatory principles introduced by the New Code, and especially with a view to ensuring the proper implementation of the same, on 13 November 2006, the Board of Directors of the Parent Company Tod’s S.p.A., approved a resolution requiring the Company’s “subsidiaries having strategic relevance” to be identified on the basis of the following criteria:

- i) number of employees;
- ii) turnover;
- iii) value of assets;
- iv) strategic significance within the Group and the market;
- v) endowment of the subsidiary with an articulated organisational structure featuring operating autonomy and a strong management presence (distinct from the members of the administrative organ);
- vi) significance and complexity of the tasks discharged by the subsidiary;
- vii) the subsidiary’s strategic significance on the market.

In light of the aforesaid parameters, at the time the resolution was passed, Tod’s S.p.A.’s subsidiaries having strategic relevance, included:

- Tod’s France Sas;
- Tod’s Japan KK;
- Deva Inc.

PART II: IMPLEMENTATION OF THE PRINCIPLES OF SELF-REGULATION

2.1 Role and powers of the Board of Directors (Article I of the New Code)

As already noted, in accordance with law and the Articles of Association, the Board of Directors is entrusted with company management and business administration. The Board is invested with the broadest powers for ordinary and extraordinary company management, being competent on all matters not expressly reserved to the General Meeting of Shareholders.

Pursuant to 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, as well as transfers of the Company's registered offices within Italy, and amendments to the Articles of Association, with a view to bringing the same in line applicable regulations.

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 drafting and amendment of internal regulations, appointing and dismissing general managers, approving acquisitions and disposals of participating interests and real estate, as well as ratifying significant transactions with related parties.

Furthermore, in accordance with criteria I.C.I. and 8.C.I of the New Corporate Governance Code, in addition to its responsibilities pursuant to 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, with 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 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 organs 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, 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, in more general terms, to transactions involving related parties, and towards such end, to 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) appointed a lead independent director tasked with:

- 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;

g) provide information, in the Company's Corporate Governance Report, on the application of Article I 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, so that the main risks concerning the Company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, establishing, moreover, the criteria for determining whether such risks are compatible with sound and correct corporate management;

m) identify an executive director for supervising the functionality of the internal control system;

n) evaluate, at least twice a year, the adequacy, effectiveness and actual functioning of the internal control system, and to approve, at least on an annual basis, the risk management policies of the Company and the Group;

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.

Furthermore, as already noted, on 13 November 2006, the Board of Directors of the Parent Company Tod's S.p.A., approved, inter alia, the document entitled "Tod's S.p.A. Group's Guidelines on Particularly Significant Related Party Transactions" (the "Guidelines") setting forth precise criteria for identifying transactions subject of Board approval, as well as significant transactions effected with third parties and related parties, including through subsidiaries.

In respect of Article 1.C.1 of the Code, the Board has formally repeated (in the "Master Resolution" approved on 13 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 statutory provisions.

2.2 Composition of the Board of Directors; distribution of responsibilities, Executive Directors and Independent Directors (Articles 2 and 3 of the New Code)

The current Board of Directors was appointed by the General Meeting of Shareholders of 28 April 2006 which established the total number of Board members at 11 (eleven).

The mandates of all the Board members expire on the date of the General Meeting of Shareholders called for the approval of the Financial Statements for the year ending on 31 December 2008.

The current membership of the Board is as follows:

- 1) Diego Della Valle, Chairman and Executive Director;
- 2) Andrea Della Valle, Deputy Chairman and Executive Director;
- 3) Fabrizio Della Valle, Executive Director;
- 4) Emilio Macellari, Executive Director;
- 5) Stefano Sincini, Executive Director;
- 6) Luigi Abete, Non-executive and Independent Director;
- 7) Maurizio Boscarato, Non-executive Director;
- 8) Luigi Cambri, Non-executive and Independent Director;
- 9) Luca Cordero di Montezemolo, Non-executive and Independent Director;

10) Emanuele Della Valle, Non-executive Director;

11) Pierfrancesco Saviotti, Non-executive and Independent Director, appointed “Lead Independent Director” on 13 November 2006.

The Company’s Board of Directors checked whether its members met the requirements for qualification as executive/non-executive and independent/non-independent directors in accordance with the criteria set out in Articles 2 and 3 of the New Corporate Governance Code of 14 March 2006, at the Board meeting of 13 November 2006, repeatedly mentioned above.

As already noted, with a view to ensuring the proper implementation of the self-regulatory principles, the Board first identified the Tod’s S.p.A. Group companies having strategic relevance. The Board then examined the criteria for qualifying as non-executive and independent directors within the meaning of the New Code, and, on the basis of information provided by each director, establishing that the directors Luigi Abete, Luigi Cambri, Luca Cordero di Montezemolo and Pierfrancesco Saviotti, were independent directors.

In such regard, the fact that Mr Diego Della Valle also sits on the Board of Directors of Ferrari S.p.A., was deemed to be irrelevant, for the purposes of evaluating the independence of the director Luca Cordero di Montezemolo.

It must further be pointed out that – as explained below – all the directors benefit from the 2005-2009 stock option plan, and that the number of options assigned to independent directors was not deemed to be of any relevance, significance or importance whatsoever to the same.

Given that the Board of Directors is made up of more than seven members, as at 29 March 2007, at least of two of them had met the requirements of independence imposed under Articles 147-*quater* and 148(3) of Legislative Decree no. 58/98 and, thereby also ensuring compliance with the rule introduced under Law no. 262/2005 (so-called “Law on Savings”), as amended following the entry into force of Legislative Decree no. 303/2006 (so-called “Pinza Decree”) on 25 January 2007.

In respect of Criterion I.C.1(g) of the New Code, the Board expressed its opinion on its own size, composition and performance and that of its committees (so-called self-assessment) taking note that the current Board is made up of 11 directors including 6 non-executive directors, 4 of whom are also independent within the meaning of the New Code. The CVs of Board members confirm the diversity and appropriateness of the professional profiles represented on the Board: apart from the consolidated experience of all the executive directors in the management of the Company and the Group it heads, the Board also avails of the specific know-how of non-executive directors in the fields of economics, accounting, law and/or finance.

With regard to Article 2 of the New Code, the Board of Directors opted to follow the recommendation to appoint a lead independent director invested with the responsibilities specified in the self-regulatory provisions.

With regard to Principles 2.P.4 (appropriateness of avoiding the concentration of corporate offices in one single individual) and 2.P.5 (disclosure of the reasons underlying the delegation of management powers to the Chairman), the Board felt that Tod's S.p.A.'s current governance – including from the standpoint of the concentration of corporate offices – is fully in line with the Company's corporate interests, considering, inter alia, that (i) the Chairman who is invested with management powers, is also the Board member with the longest experience in the Company's service and that his role is not restricted to institutional tasks and legal representation, but also embraces operating responsibilities, rendering him crucial to sound corporate management; and that (ii) management powers have also been delegated to four other executive directors, apart from the Chairman.

In compliance with Criterion 2.C.2. and the recommendation in the comment on Article 2, the Board has appointed the independent director Pierfrancesco Saviotti as “Lead Independent Director”, invested with the following responsibilities:

- 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.

The Board felt it useful to defer any decision regarding Criterion 1.C.3. of the New Code (guidelines regarding the maximum number of offices as director or auditor that directors of the Company may simultaneously hold in other listed companies and in financial companies, banks, insurance companies or companies of a considerably large size), until CONSOB approves the final version of the implementing provisions for Article 148-*bis*, paragraph 1, of the Consolidated Law on Financial Intermediaries, which could contain elements that could affect the Board's determinations in such respect. Moreover, this will also give the Board the time required to examine emerging best practices on the market, in such regard.

In any event, especially in order to comply with Criterion 1.C.2 of the New Code, the offices as director or auditor held by certain Company directors in other companies listed on regulated markets (including foreign markets) and in financial companies, banks, insurance companies or

companies of a considerably large size, are listed in the Schedule “A” to this Report. The Board of Directors, not only directly and as a panel, but also through its executive officers and organs, namely:

- the Chairman

- the Deputy Chairman

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

- the Executive Committee.

The Chief Executive Officer 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 and non-significant related party transactions;

- submit for Board approval, any and all significant related party transactions, responsibility for which lies solely with the Board of Directors, in accordance with the Guidelines approved by the Board of Directors on 13 November 2007.

As already noted, In respect of Article 1.C.1 of the Code, the Board has formally repeated (in the “Master Resolution” approved on 13 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 statutory provisions.

The Directors act and pass resolutions with full knowledge of the facts and autonomously, pursuing the priority of creating value for the shareholders: in order to allow the Board to make fully informed decisions in discharging their duties, the Chief Executive Director Andrea Della Valle reports to the Board of Directors, including through specific written reports when necessary, on the main statutory and regulatory changes affecting the Company and its corporate organs, with special reference to new provisions governing the office of company director; the report must be submitted at the Board meeting immediately following the date on which the Chief Executive Officer becomes aware of the said statutory and regulatory changes.

In substance, and in accordance with the provisions of the Code, the Chairman’s role is basically to ensure that the Board is effectively coordinated and provided adequate, timely and documented information, so as to allow the Board to make fully informed decisions on all the matters referred to it for examination and approval.

The Chairman, Mr Diego Della Valle is also a Managing Director invested – under his own sole signature and with authority to sub-delegate – with the legal representation of the Company and all the other responsibilities imposed on the Chairman pursuant to the Articles of Association – as well as 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. purchase and sell personal property of any nature and kind whatsoever, as well as to enter into finance lease agreements;
- d. 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;
- e. appoint special attorneys-in-fact;
- f. 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;
- 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 therefor;
 - 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 therefor;

- 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;
- h. to implement emergency measures of extraordinary administration, save for those reserved, under law or the articles of association to the sole competence of the Board of Directors. These measures must be reported to the Board at the following Board meeting.
- Similarly, even the Deputy Chairman, Mr Andrea Della Valle, has been appointed Managing Director, invested – under his own sole signature and with authority to sub-delegate – with the legal representation of the Company and all the other responsibilities imposed on the Deputy Chairman pursuant to the Articles of Association – as well as 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. purchase and sell personal property of any nature and kind whatsoever, as well as to enter into finance lease agreements;
- d. 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;
- e. to initiate legal action and bring judicial and administrative proceedings at any and all degrees and instances of jurisdiction, including before the Supreme Court, and actions seeking the dismissal and appointment of arbitrators, conferring the required powers ad litem on counsel; in general, to appoint special attorneys-in-fact;
- f. 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;
- 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 therefor;
 - 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 therefor;
 - 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;

h. to implement emergency measures of extraordinary administration, save for those reserved, under law or the articles of association to the sole competence of the Board of Directors. These measures must be reported to the Board at the following Board meeting.

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 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 to enter into finance lease agreements;

d. recruit, appoint, suspend and dismiss Company employees, to the exception of executives;

e. to initiate legal action and bring judicial and administrative proceedings at any and all degrees and instances of jurisdiction, including before the Supreme Court, and actions seeking the dismissal and appointment of arbitrators, conferring the required powers ad litem on counsel; in general, to appoint special attorneys-in-fact;

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 therefor;

- 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 therefor;

- 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.

In 2006, the Board met 8 times. All the aforesaid meetings were called in compliance with the procedures set forth in the Company's Articles of Association.

The said Board meetings were regularly and assiduously attended by company directors (overall attendance was in fact 78%, while the attendance of independent Board members was 63%).

The Board is expected to meet at more or less the same frequency in the current year 2007.

During the course of the meetings held in fiscal 2005, the Board, after careful analysis, approved the strategic development plans, the main financial and economic transactions pertaining to the management of Group companies, as well as the annual and interim financial statements with specific reference to the approval of the financial statements for fiscal 2005, the quarterly reports as at 31 March and 30 September 2006, and the half-yearly report as at 30 June 2006.

In compliance with the procedures set forth in Article 21 of the Articles of Association, Board members were provided, sufficiently in advance of the scheduled date of the related Board meetings, with all the documents and information required to enable them to form a fully informed opinion on all the matters submitted to them for examination and approval.

The flow and exchange of information amongst the Chairman, the Chief Executive Officer, the Board of Directors and the Board of Auditors took place in compliance with the provisions of the Master Resolution of 13 October 2000, that is still in force.

The Managing Directors reported to the Board at least on a quarterly basis.

2.3 Internal Committees of the Board of Directors (Articles 5, 7 and 8 of the New Code)

TOD'S Board of Directors has set up and appointed the following Committees:

-Executive Committee

-Internal Control and Corporate Governance Committee (the setting up of which was already recommended in the Self-regulatory Code of 2002, issued on an advisory basis)

-Remuneration Committee (also recommended in the previous Self-regulatory Code, issued on an advisory basis).

The current Executive Committee, appointed by the Board on 2 May 2006, for a three year term expiring upon the approval of the financial statements for fiscal 2008, is made up of the following five members: Diego Della Valle (Chairman), Andrea Della Valle (Deputy Chairman), Fabrizio Della Valle, Emilio Macellari and Stefano Sincini.

-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 13 November 2006, passed in accordance with the self-regulatory principles described above.

In any event, the Executive Committee is required to submit summary reports to the Board of Directors in respect of the most significant decisions adopted by the Committee as well as with regard to any and all other matters that the Committee itself deems meritorious of mention to the Board.

In 2006, the Executive Committee met on three occasions. The said Committee meetings were regularly and assiduously attended by Committee members (overall attendance was in fact 100%).

The Internal Control and Corporate Governance Committee, in office up to the Board meeting of 13 November 2006, was made up of the following three members: Maurizio Boscarato (Chairman), Luca Cordero di Montezemolo and Pierfrancesco Saviotti. Appointed by the Board on 2 May 2006, the Internal Control and Corporate Governance Committee discharged the duties set forth in the Self-regulatory Code of 2002.

In 2006, the Committee met five times with an overall attendance rate of 80%. Apart from approving the periodic reports falling within its competence, the Committee expressed an opinion on related party transactions and checked the state of progress of certain projects aimed at endowing the Company with tools allowing for greater precision in data analysis as well as for greater control over the transactions effected by the Company and its subsidiaries.

After checking for compliance with the requirements for qualifying as non-executive and independent directors within the meaning of the New Code, at the repeatedly mentioned Board meeting of 13 November 2006, the Board decided to reconstitute the Internal Control and Corporate Governance Committee, ensuring that it was made of a majority of independent directors. The Committee as currently constituted, is made up of the following members:

Maurizio Boscarato (Chairman), Luigi Cambri and Pierfrancesco Saviotti. The professional skill set represented on the Committee ensure that it is endowed with adequate know-how in accounting and finance. In accordance with Criterion 8.C.3 of the Code (to the exception of points (d) and (e)), the advisory and recommendatory tasks entrusted to the Internal Control and Corporate Governance Committee include:

- a) assisting the Board in performing the tasks mentioned in Criterion 8.C.1. of the New Code;
- b) evaluating, together with the executive in charge of preparing the Company's financial statements, and the independent auditors, the proper and uniform application of accounting policies, especially in the preparation of the consolidated financial statements;
- c) expressing, at the request of the executive director appointed for such purpose, opinions on specific aspects pertaining to the identification of the main corporate risks, as well as on the design, implementation and management of the internal control system;
- d) assessing the works schedule prepared by staff in charge of internal control and examining the periodic reports submitted by the same;
- e) reporting to the Board of Directors, on at least a half-yearly basis, at the time of the approval of the annual and half-yearly financial statements, in respect of the activities undertaken and the appropriateness of the internal control system.

Again in compliance with Article 8 of the Code, the Board of Directors entrusted the Board of Auditors with the task of evaluating the offers put forward by accounting firms seeking appointment as the Company's independent auditors as well as the related proposed work schedule for auditing, together with the results indicated in the report and any recommendatory letters forwarded by the said firms. (It must be pointed out that this choice is in line with the subsequent amendment of Article 159 of Legislative Decree no. 58/98, introduced through Legislative Decree no. 303/2006 – the so-called “Pinza Decree” – that invested the Board of Auditors with the duty of making recommendations to the General Meeting of Shareholders in respect of the appointment of the Company's independent auditors.

The Remuneration Committee in office up to the Board meeting of 13 November 2006, was made up of the following three members: Andrea Della Valle (Chairman), Pierfrancesco Saviotti and Luigi Abete, in compliance with the indications set forth in the previous Self-regulatory Code. Appointed by the Board on 2 May 2006, the Remuneration Committee was invested with the responsibilities contemplated in the Self-regulatory Code of 2002.

The Committee member Mr Andrea Della Valle, who is an executive director insofar as he also serves as Deputy Chairman and as Managing Director on the Company's Board, abstains from voting on any and all matters that may pose a potential conflict of interests.

The Remuneration Committee met only once during fiscal 2005, with a view to formulating recommendations to be submitted to the Board of Directors in respect of the remuneration of directors invested with specific duties and tasks, pursuant to section 2389, paragraph 3, of the Italian Civil Code, as well as the emoluments due to the General Manager for the year 2006 and thereafter.

After checking for compliance with the requirements for qualifying as non-executive and independent directors within the meaning of the New Code, at the Board meeting of 13 November 2006, the Board decided to reconstitute the Remuneration Committee, ensuring that it was made up of a majority of independent directors. The Committee as currently constituted, is made up of the following members: Luigi Abete (Chairman), Luigi Cambri, and Pierfrancesco Saviotti, and, pursuant to Article 7 of the New Code, is tasked with:

- a) formulating proposals to the Board for the remuneration of the managing directors and other directors who cover particular offices, monitoring the application of the decisions adopted by the board;
- b) evaluating, on an annual basis, the criteria adopted for the remuneration of executives with strategic responsibilities, controlling their application on the basis of the information provided by the managing directors and submitting to the Board of Directors general recommendations on the subject matter thereof.

Again at the Board meeting of 13 November 2006, the Board resolved to adopt the principles and criteria set forth in Article 5 of the New Code, and accordingly, required the setting up and functioning of the two committees reconstituted to comply with the self-regulatory provisions, to be subject to the criteria set forth in the New 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 prior Board authorisation;
- 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.

PART III: CORPORATE FUNCTIONS AND PROCEDURES

3.1. Procedures for reporting to the Board of Directors

In compliance with the provisions of the Self-regulatory Code (as per the November 1999 edition in force at the time) drawn up by the Committee for the Corporate Governance of Listed Companies, the “Master Resolution” passed by the Company’s Board of Directors on 13 October 2000, already required:

-a Managing Director, and more specifically, Mr Andrea Della Valle, was to report to the Board on the main newly introduced statutory and regulatory provisions affecting the Company and its corporate organs, with specific reference to provisions pertaining to the exercise of the office of company director, preparing, where necessary, specific written reports illustrating the aforesaid new statutory and regulatory provisions. The said report is to be submitted at the meeting immediately following the date on which the said Managing Director becomes aware of the new statutory or regulatory provisions.

-the Chairman (or in his absence, the Deputy Chairman) to forward to the Board, in accordance with procedures established in concert with the Managing Directors (each in respect of his specific sphere of competence) and sufficiently ahead of the scheduled Board meeting – save in emergency situations determined by the nature of the resolutions to be passed, the need for confidentiality and/or the urgency with which the Board must pass the related resolutions - the

documents and information required by the Board to reach a fully informed opinion on the matters submitted to it for examination and approval.

The aforesaid provisions, which are still fully binding and in full force and effect, are stringently applied as part of the Company's consolidated business practice aimed at ensuring an efficient flow of adequate and timely information to the members of the Board of Directors and the Board of Auditors.

3.2. Transactions with Related Parties (Article 9 of the New Code)

The Board has always been kept adequately informed, in detail, of any and all significant transactions effected with related parties during the fiscal year, ratifying and approving the same if they meeting the requirements of correctness, both in form and in substance.

In all the cases examined, the Board found that in substance, the economic benefits deriving to the TOD'S Group from the transactions considered from time to time, would not have been substantially different if the same were effected with third parties at arm's length terms. The Board has always been given prior notice of any and all potential conflicts of interests involved in individual transactions.

Until the Board meeting of 13 November 2006, the Company's Transactions with Third Parties were regulated pursuant to rules contained in the "Self-regulatory Code" adopted by the General Meeting of Shareholders on 28 April 2003.

As required under law, the Self-regulatory Code imposed, first and foremost, a series of obligations on directors with even a potential indirect interest in any transaction (requiring timely notice, as well as abstention from discussions and voting) and provided, secondly, for particularly significant transactions to be valued by independent experts. Transactions with Related Parties in fiscal 2006, may be summarised as follows:

- a. Licensing agreement for the trade mark "Roger Vivier" underway with the company Gousson - Consultadoria & Marketing Lda, a Portuguese company falling under the indirect corporate control of the Della Valle family;
- b. Ordinary leases on the properties located in Milan, respectively at Corso Venezia, 30, Viale Savona and Viale Montenero, 63 (entered into during the fiscal year) owned by Immobiliare De.Im. S.r.l. (landlord), a company under the corporate control of the Della Valle family;
- c. Advertising services provided by Forma Pura S.r.l., a company under the corporate control of the Board member Emanuele Della Valle;

d. The trade agreement with Roger Vivier Paris Sas, a French company falling under the indirect corporate control of the Della Valle family, and specialising in the marketing of products under the Roger Vivier brand;

e. Lease to Immobiliare De.Im. S.r.l., a company under the corporate control of the Della Valle family, of a portion of real estate located in Milan, no longer necessary to the Group;

f. Ordinary lease, as a tenant, of a building located in St. Tropez, belonging to Difran S.a.s., a French company under the corporate control of the Della Valle family, such lease having been entered into at a time when the landlord was subject to the corporate control of third parties;

g. Ordinary lease, as a tenant, through the subsidiary Tod's Japan K.K., of the building located in the Omotesando quarter of Tokyo, belonging to Holpaf B.V., a company falling under the corporate control of the Della Valle family.

The table below, provides the amounts accrued during the financial year under consideration, by virtue of all the transactions mentioned above:

Commercial transactions with other related parties – Revenues and costs

Revenues and costs (Euro/000)	Fiscal 2006		
	Costs	Revenues	Capital charges
Sale of products			
Roger Vivier Paris S.a.s	133	1.270	
Lease agreements			
Immobiliare De.Im. S.r.l.	2.232	84	
Difran S.a.s.	184		
Holpaf BV	2.903		
Roger Vivier trademark license			
Gousson - Consultadoria & Mark. Lda	768	3.707	
Advertising services			
Forma Pura S.r.l.	1.814		
Total	8.034	5.061	

Commercial transactions with other related parties – Receivables and Payables

Receivables and payables (Euro/000)	31.12.06	
	Receivables	Payables
Roger Vivier Paris S.a.s	312	134
Immobiliare De.Im. S.r.l.	434	
Difran S.a.s.		
Holpaf BV		6
Gousson - Consultadoria & Mark. Lda	1.715	418
Forma Pura S.r.l.		606
Total	2.461	1.164

Remuneration of Directors, members of the Board of Auditors and General Managers

(Euro/000)	Emoluments	Other emoluments	
		Amount	Nature
Directors (term of office 2006-2008)			
Diego Della Valle (*) (**)	391		
Andrea Della Valle (**) (***)	295	5	(1)
Luigi Abete	30		
Maurizio Boscarato	32	148	(2)
Luigi Cambri	26		
Luca C. di Montezemolo	30		
Emanuele Della Valle	25		
Fabrizio Della Valle (***)	32		
Emilio Macellari (***)	32	480	(2)
(Euro/000) continued	Emoluments	Other emoluments Amount	Nature
Pierfrancesco Saviotti	38		
Stefano Sincini (***)	316	129	(1)
Total Directors	1.247	762	
Auditors (term of office 2004-2006)			
Enrico Colombo (****)	64	22	(3)
Gian Mario Perugini	43	15	(3)
Fabrizio Redaelli	43		
Total Auditors	150	37	
General managers			
Stefano Sincini	496		

Legend:

(*) Chairman of the BoD

(3) Auditor of subsidiary

(**) Vice President of the BoD

(***) Member of the Executive Committee

(****) President of the Board of Auditors

(1) Director of subsidiaries

(2) Consultant of TOD'S S.p.a.

Participating interests held by Directors, members of the Board of Auditors and Executives with strategic responsibilities

	Subsidiary	no. of shares held at 31.12.05	no. of shares purchased	no. of shares sold	no. of shares held at 31.12.06
Diego Della Valle	Tod's S.p.a	18.042.200	52.000		18.094.200
Andrea Della Valle	Tod's S.p.a	1.416.300	41.000		1.457.300
Maurizio Boscarato	Tod's S.p.a		1.200	1.200	-
Emanuele Della Valle	Tod's S.p.a	5.000			5.000
Fabrizio Della Valle	Tod's S.p.a		6.000	6.000	-
Emilio Macellari	Tod's S.p.a		8.000	6.000	2.000
Luca C. di Montezemolo	Tod's S.p.a	272.000	1.200		273.200
Pierfrancesco Saviotti	Tod's S.p.a	2.000	1.200		3.200
Stefano Sincini	Tod's S.p.a		6.000	6.000	-
Luigi Cambri	Tod's S.p.a	580	1.200	1.200	580
Fabrizio Redaelli	Tod's S.p.a	500			500

As already noted, on 13 November 2006, the Board of Directors approved a document entitled “Tod’s S.p.A. Group’s Guidelines on Particularly Significant Related Party Transactions” (the “Guidelines”) that subjects to Board approval, any and all significant transactions effected with third parties and related parties, including through subsidiaries (the full text of the Guidelines are attached hereto as Schedule “B”), and lays down procedures for the approval and performance of such transactions.

3.3 Treatment of Corporate Information (Article 4 of the New Code)

On 15 May 2002, the Board of Directors approved the document recommended by the Internal Control and Corporate Governance Committee, entitled “Rules for the processing and disclosure of confidential information and documents pertaining to the Company and the Group”, governing the procedures for the public disclosure of the Company’s confidential information and documents.

Apart from requiring Company Directors, members of the Board of Auditors, Investor Relators and all company employees in general to treat price sensitive information with the utmost confidentiality, the aforesaid document also requires:

- the Board of Directors, in full compliance with any and all rules and regulations laid down by Regulatory Authorities, to approve notices pertaining to periodic reports (quarterly, half-yearly, annual reports, etc.);
- the Chairman and Deputy Chairman, even severally and not jointly, to manage further public announcements, after having assessed whether or not such announcements must be made in light of the disclosure obligations binding on the Company;
- the Chairman to collaborate with the Investor Relator and the Deputy Chairman, in liaising with institutional investors, financial analysts and market operators.

On the overall, the Self-regulatory Code approved by the General Meeting of Shareholders on 28 April 2003, confirmed this framework, especially since it required the Chief Executive Officer to manager confidential, and particularly, price sensitive information in accordance with the specific procedure set forth in the document entitled “Rules for the processing and disclosure of confidential information and documents pertaining to the Company and the Group”.

Furthermore, the said Code requires the Chief Executive Officer is required to oversee the information provided to the Company and the markets in respect of transactions involving financial instruments, effected by persons who, by virtue of their positions within the Company, enjoy access to sensitive information (internal dealing) and, moreover provides that, without prejudice to the confidentiality obligations arising under applicable regulations, all Company directors are required to treat with the utmost confidentiality, any and all documents and information of which they may become aware in the course of their duties, and to comply with the internal procedure for the disclosure of the said documents and information outside the Company.

With regard to Article 4 of the New Code, as at the date of this writing, the Board of Directors did not deem it necessary to approve new procedures or take other action in respect of the treatment of corporate information, having found the existing rules fully appropriate in the present context.

3.4. Procedures governing “Internal dealing”

The Board of Directors approved the new “internal dealing” procedure within the meaning of Article 152-*octies*, paragraph 8(a) of CONSOB Regulation no. 11971/99 as well as the new procedure for the setting up, management and updating of the Register of Insiders within the meaning of Article 115-*bis* of Legislative Decree no. 58/98 and Articles 152-*bis et seq.* CONSOB Regulation no. 11971/99.

The full text of the “internal dealing” procedure is attached hereto as Schedule “C”.

3.5 Procedure for the appointment and remuneration of Directors (Articles 6 and 7 of the New Code)

The General Meeting of Shareholders is the sole corporate organ lawfully empowered to appoint Company Directors, approve the financial statements and appoint the members of the Board of Auditors, the Chairman of the Board of Auditors and the Independent Auditors.

Law no. 262/2005 (the so-called “Law on Savings”) as amended by Legislative Decree no. 303/2006 (the “Pinza Decree”) requires listed companies to provide, in their Articles of Association, for the appointment of Company Directors on the basis of voting lists, so as to ensure that minority shareholders are also represented on the administrative organ.

In particular, article 147-ter of the Consolidated Law on Financial Intermediaries, entrusts CONSOB with the task of establishing the minimum threshold for the submission of lists: to date, CONSOB has failed to issue any rules on the matter.

The Company plans to update its Articles of Association within the time limits imposed under the Pinza Decree (and that is to say, by 30 June 2007), after CONSOB issues the implementing provisions for the statutory provisions: naturally, in updating the Articles of Association account will also be taken of the self-regulatory principles entrenched in the New Code.

Especially in light of the Company’s current ownership layout, as at the date of this writing, the Board of Directors did not feel it necessary to set up a Nomination Committee.

In any event, the self-regulatory principles adopted by TOD’S, most recently through the Board resolution of 13 November 2006, require candidates for Board appointments to file with the Company’s registered office at least fifteen days prior to the scheduled date of the related General Meeting of Shareholders, and, furthermore, to post, in a timely manner, on the Company’s website, adequate information on their personal and professional profiles, with an indication of whether or not they meet the requirements of independence imposed under Article 3 of the New Code.

The remuneration due to Board members for attendance at the Company’s Board and Committee meetings, shall be established by the General Meeting of Shareholders, which, on the other hand, leaves it up to the Board itself to determine the remuneration due to individual Board members invested with specific responsibilities within the meaning of section 2389, paragraph 3, of the

Italian Civil Code, taking due account of the Remuneration Committee's recommendations in such regard.

The remuneration due to directors has been established to provide sufficient incentive to attract and motivate the professionals required to successfully manage the Company.

With regard to Principle 7.P.2, all the remuneration established for Board members currently in office is based on a fixed amount, with the sole exception of the Chief Executive Officer who also acts as the Company's General Manager, and, who, given his role and position, has been assigned remuneration dependent upon the attainment of individual pre-set targets (so-called bonuses).

It must further be pointed out that in May 2005, pursuant to a General Meeting resolution, the Company's Board of Directors approved a Stock Option Plan for the directors, employees and collaborators of TOD'S Group, with a view to securing their loyalty in the medium term.

Under the plan, that covers the four-year period 2005-2009, Directors were assigned 1,182,000 free, personal options, not transferable *inter vivos*, on ordinary shares, to be exercised at the dates and pursuant to the procedures set forth in the related rules, subject to the attainment of pre-set targets. Each option bears the right to subscribe one ordinary shares in TOD'S S.p.A. at the price of 36.30 which was the mean market price of the stock during the 30 days immediately preceding the resolution establishing the terms and conditions governing the options.

3.6 The Internal Control System (Article 8 of the New Code)

As already noted, on 13 November 2006, the Company's Board of Directors approved a series of resolutions pertaining, inter alia, to the Internal Control System.

The resolutions focusing on the re-constitution of the Internal Control Committee have been dealt with in a separate paragraph of this report.

The Board's initiatives include laying down guidelines for the internal control system (the "Guidelines") especially with a view to enhancing and optimising the internal control system of both the Company and the Tod's Group on the whole, with specific reference to subsidiaries "having strategic relevance" within the meaning of Article 1 of the New Code.

The full text of the Guidelines are attached hereto as Schedule "D".

At the same meeting of 13 November 2006, the Board also resolved:

1) having heard the favourable opinion of the Internal Control and Corporate Governance Committee, to appoint as the executive director responsible for supervising the functionality of the internal control system, the director Stefano Sincini, investing the same with powers to:

a) identify the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board of Directors;

b) implement the “Guidelines for the Tod’s S.p.A. Group’s Internal Control System (the “Guidelines”), through the design, implementation and management of the internal control system, constantly monitoring its overall adequacy, effectiveness and efficiency, in full compliance with the Guidelines, whilst also adapting the said system to the dynamics of the operating conditions and the legislative and regulatory framework;

c) propose to the Board of Directors the appointment, revocation and remuneration of one or more persons in charge of Group’s internal control functions.

2) appoint two new persons to take charge of the Company’s internal control systems, with specific regard to the following spheres of competence:

-A) Supply Chain, Administration and Finance, Human Resources;

-B) Management control, Style, Sales & Distribution, Investor Relations.

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 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 Company 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 bookkeeping and the archiving of administrative records.

d.2) check, within the framework of the work plan, that the procedures adopted by the Company 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 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 mentioned in Article 2, upon request.

h) disclose their findings in specific Audit Reports to the Director in charge of Internal Control, the Internal Control Committee and the person in charge of 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 action; the shortfalls identified and the recommended corrective action 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 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 point i) above, to the following organs and officers:

- the 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.

Lastly, on 29 March 2007, the Board of Directors, with the assistance of the Internal Control Committee, issued a positive opinion on the internal control system, finding the same adequate on the whole.

3.7 Investor Relations

With reference to article 11 of the Self-regulatory Code (as worded in November 1999) prepared by the Committee for the Corporate Governance of Listed Companies, the Master Resolution passed by the Company's Board of Directors on 13 October 2000, provided for the provisional appointment, until a suitable replacement in terms of qualifications and experience is found, of the Board member Emilio Macellari as Company representative in charge of relations with institutional investors and other shareholders, it being however understood that any disclosure of documents and information regarding the Company, made within the framework of such relations, must be subjected to the relevant internal procedure.

The person in charge of Investor Relations may be contacted at:

Telephone no. 02 77225354 - Fax no. 02 76009714 - e-mail address: c.oglio@todsgroup.com

PART IV: BOARD OF AUDITORS (ARTICLE 10).

The Chairman and members of the Company's Board of Auditors are also appointed by the General Meeting of Shareholders.

The procedures for the submission of lists of proposed candidates and voting lists, are regulated under the Articles of Association.

In such regard, it must be pointed out that, by the deadline of 30 June 2007, imposed under the Pinza Decree, the Articles of Association must be brought in line with the new statutory and regulatory provisions governing the election of members of the Board of Auditors (as at the date of this writing, CONSOB has not yet issued any implementing provisions in respect of the pertinent statutory provisions).

Accordingly, application must still be made of Article 27 of the Articles of Association (to which reference is here made), that in any event, requires at least one auditor in office (and the second alternate) to be appointed by minority shareholders, on the basis of the list winning the second highest number of votes.

In particular, pursuant to article 27 of the Articles of Association, shareholders representing at least 5% of the ordinary shares in the Company may submit serially numbered lists of candidates. The lists, together with the CVs and related declarations and attestations (acceptance of candidature, non-applicability of the causes of disqualification, satisfaction of the requirements for qualification, etc.), must, under pain of nullity, be filed with the Company's registered offices at least ten days prior to the scheduled date of the relevant General Meeting of Shareholders. (As at the date of this writing, the Board has not yet rectified the ten day deadline imposed for the filing of lists, which, in any event, may be amended at the time of updating the Articles of Association on the whole).

With regard to Criterion 10.C.2 of the New Code, it must be pointed out that the independence of the members of the Board of Auditors is ensured through compliance with the relevant provisions of law and the Articles of Association, even in consideration of the amendments brought to Legislative Decree no. 58/98 (the Consolidated Law on Financial Intermediaries) through the so-called "Law on Savings".

None of the members of the Company's Board of Auditors serves as a director or auditor in other companies listed on regulated markets, including foreign markets, apart from Dr Fabrizio Redaelli who also sits on the Board of a listed company.

APPENDIX “A” to the Annual Report on Corporate Governance:

List of corporate offices held by members of the Board of Directors of TOD'S S.p.A. in other listed companies and in financial companies, banks, insurance companies or companies of a considerably large size:

Director	Corporate Office	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.
	Board Member	Le Monde Europe S.A.
	Board Member	Ferrari S.p.A.
	Board Member	Compagnia Immobiliare Azionaria S.p.A.
	Board Member	L.V.M.H. Moet Hennessy Louis Vuitton
	Board Member	RCS Mediagroup S.p.A.
	Board Member	Assicurazioni generali S.p.A.
	Sole Director	DDV partecipazioni S.r.l.
	Board Member	Marcolin S.p.A.
Luca Cordero di Montezemolo	Chairman and Chief Executive Officer	Ferrari S.p.A.
	Chairman	Bologna Fiere S.p.A.
	Chairman	FIAT S.p.A.
	Board Member	Indesit Company S.p.A.
	Supervisory Board Member	PPR-Pinault Printemps Redoute
	Board Member	Linea Pelle S.p.A.
	Chairman	Bologna Congressi S.p.A.
	Board Member	Editrice La Stampa
	Advisory Board Member	Citigroup – New York -
	Supervisory Board Member	Le Monde
	Board Member	Consiglio Nazionale dell'economia e del lavoro
	Board Member	Poltrona Frau S.p.A.
Luigi Abete	Chairman	Confindustria
	Chairman	Banca Nazionale del Lavoro S.p.A.
	Chairman	Cinecittà Studios S.p.A.
	Chairman	A.BE.T.E. S.p.A.
	Board Member	ArtigianCassa S.p.A.
	Chief Executive Officer	Cinecittà Entertainment S.p.A.
Pier Francesco Saviotti	Board Member	Fineldo S.p.A.
	Board Member	F.C. Internazionale S.p.A.
	Board Member	ValuePartners S.p.A.
	Board Member	Telecom Italia Media S.p.A.
	Board Member	Linificio e Canapificio Nazionale S.p.A.
Emilio Macellari	Board Member	Stefanel S.p.A.
	Board Member	Cinecittà Studios S.p.A.
	Board Member	Marcolin S.p.A.
	Director	Dorint SA
Andrea Della Valle	Director	Goral Investment BV
	Chairman	ACF Fiorentina S.p.A.
	Sole Director	ADV partecipazioni S.r.l.
Maurizio Boscarato	Board Member	Marcolin S.p.A.
Emanuele Della Valle	Board Member	Cinecittà Entertainment S.p.A.

Structure of the Board of Directors and Committees:

Carica	Membri del Cda	esecutivi	non esecutivi	indipendenti	Numero di altri incarichi rilevanti	Comitato Controllo Interno	Comitato Remunerazioni	Comitato Esecutivo
Chairman and Chief Executive Officer	DIEGO DELLA VALLE	YES	NO	NO	10	-	-	X
Vice president and Chief Executive Officer	ANDREA DELLA VALLE	YES	NO	NO	2	-		X
Board Member	LUIGI ABETE	NO	YES	YES	6	-	X	-
Board Member	MAURIZIO BOSCARATO	NO	YES	NO	1	X	-	-
Board Member	LUIGI CAMBRI	NO	YES	YES	-	X	X	-
Board Member	LUCA CORDERO DI MONTEZEMOLO	NO	YES	YES	13	-	-	-
Board Member	EMANUELE DELLA VALLE	NO	YES	NO	1	-	-	-
Board Member	FABRIZIO DELLA VALLE	YES	NO	NO	-	-	-	X
Board Member	EMILIO MACELLARI	YES	NO	NO	4	-	-	X
Board Member	PIER FRANCESCO SAVIOTTI	NO	YES	YES	5	X	X	-
Chief Executive Officer	STEFANO SINCINI	YES	NO	NO	-	-	-	X

Frequency of meetings:

Board of Directors	8
Internal Control & Corporate Governance Committee	5
Compensation committee	1
Executive Committee	3

Structure of the Board of Auditors

Carica	Membri	Numero altri incarichi
Chairman	ENRICO COLOMBO	-
Acting statutory auditor	GIAN MARIO PERUGINI	-
Acting statutory auditor	FABRIZIO REDAELLI	1

APPENDIX 'B' to the Annual Report on Corporate Governance - 2006
Guidelines for "significant" transactions and transactions with "related parties"

I. Scope of the "Guidelines"

1.1 These "Guidelines" define "significant" transactions of Tod's S.p.A. and the Tod's Group and, in particular, those with "related parties" which, in accordance with the Code on Corporate Governance for Listed Companies, are subject to prior examination and approval by the Board of Directors.

1.2 The "Guidelines" also govern the manner in which transactions with "related parties" are conducted, independently of their "significant" nature, in order to guarantee that they are correct in both substance and form.

2. Definition of "significant" transactions of the Tod's Group

2.1 In addition to those matters which may not be delegated by law, the following transactions with non-related parties are to be considered "significant" and, as such, should always be submitted to the review and approval of the Board of Directors of Tod's S.p.A., even if they formally fall within areas which the Board has delegated:

- a) transactions which require that the Company publish a public document which has been prepared in accordance with CONSOB regulations¹;
- b) transactions whose individual or combined value in a financial year (calculated on the "transaction value") is greater than 2% of the shareholders' equity of Tod's S.p.A. as reported in the latest financial statements approved in a General Meeting of Shareholders;
- c) transactions involving the acquisition or disposal of equity stakes, incorporation of a company or the acquisition or disposal of trademarks and brands, including through licensing.

2.2 The Board of Directors, consistent with the Group's business activities and always respecting the interests of the various companies, undertakes a review and initial evaluation of "significant" transactions (i.e., those falling within the parameters set out in the preceding points), even where they are to be carried out by a subsidiary of Tod's S.p.A. To that end, the corporate bodies responsible are to ensure that all Chief Executives of Group companies are familiar with these "Guidelines".

¹ By way of example, at the date of approval of this document: significant acquisitions and disposals as defined by Consob under Article 71 of Consob Regulation no. 11971/99; significant mergers, demergers and capital increases representing "payment-in-kind" (including intra-group transactions) as defined under Article 70 of Consob Regulation no. 11971/99; transactions referred to under Article 71 *bis* of Consob Regulation no. 11971/99.

2.3 To guarantee the efficient operation of the Group, in cases of particular urgency, “significant” transactions may be carried out by the various responsible corporate bodies of the Company and/or the Group: in such cases, the corporate bodies responsible are to submit these transactions to the Board of Directors of Tod’s S.p.A. for approval.

2.4 For the review and approval of all “significant” transactions, the Board of Directors is to be provided adequate information by the corporate bodies responsible regarding the interests of Tod’s S.p.A. in relation to the transaction, its economic viability, and its compatibility with the company’s strategic objectives.

3. “Significant transactions with related parties”

3.1 “Significant transactions with related parties”, including those carried out through subsidiary companies, are transactions which:

a) are “significant” as defined under paragraph 2 above;

or

b) even if not “significant” according to the definition in paragraph 2 above, have an individual or combined value in a single financial year (calculated on the “transaction value”) is greater than 0.5% of the shareholder’s equity of Tod’s S.p.A. as reported in the latest financial statements approved in a General Meeting of Shareholders.

However, as an exception to the requirements of a) and b) above, transactions with related parties which are usual and in the ordinary course of business, or, in any event, are concluded according to standard terms, are not considered “significant” and, therefore, do not require the prior review and approval of the Board of Directors.

3.2 Transactions considered usual and in the ordinary course of business are those whose purpose, nature, characteristics and terms fall within the Company’s ordinary business activities and which contain no particularly problematic issues in relation to their characteristics or the risks inherent to the counterparty at the time they are carried out: as a rule, these include transactions between companies in the Tod’s Group which conform to the ‘Internal International Transfer Pricing Guidelines’.

Transactions carried out under standard terms are those which would be conducted on the same terms regardless of the counterparty.

3.3 “Related parties” are those defined as such by the applicable regulations in effect at the moment a transaction is decided.

3.4 “Significant transactions with related parties” should first be reviewed and approved by the Board of Directors as set out in paragraph 2 and conducted in accordance with the requirements of paragraph 4 below, after consultation with the Audit Committee.

4. Principles of conduct for transactions with related parties

4.1 All transactions with related parties (including those carried out through subsidiary companies) – and, therefore, including those not subject to the prior review and approval by the Board of Directors as provided for under paragraph 3 above – are to be approved and/or executed observing the principles of correctness in both substance and form. In particular:

- a)** for transactions which are, by virtue of their “significant” nature, subject to its review, the Board of Directors is to be adequately informed of: the principal characteristics and terms, contractual and financial, of the transaction; its impact on the interests of Tod’s S.p.A.; the level of relationship between the counterparties; and, the substantive fairness of the transaction;
- b)** for transactions which are not subject to prior review by the Board, the corporate bodies responsible are to ensure that such information is recorded and – except for transactions of marginal value – provided to the Board of Directors no later than the first Board meeting following the completion of a transaction.

4.2 The Board and the corporate bodies responsible (for those transactions not subject to the Board’s prior approval) may - where the nature, value or other characteristics of the transaction require and in order to avoid entering into terms for a transaction which would differ from a similar agreement between two non-related parties - decide that the transaction is to be completed with the assistance of independent experts whose expertise in valuing assets or providing financial, legal or technical advice is recognised. In any event, the view of the Audit Committee may also be sought.

5. Directors’ interests

5.1 Where a director has an interest in a transaction, on his/her own behalf or on behalf of third parties, said director, after notifying the other directors and the Board of Statutory Auditors of the existence of such interest and other relevant details (nature, terms, origin and scope) in a full and timely manner, where deemed to be in the company's interests, shall abstain from voting or, again where deemed to be in the company’s interests, is to be absent from the Board meeting during the relevant discussion and resolution.

If said director is the Chief Executive Officer, he/she shall abstain from the transaction entirely, delegating the matter to the Board of Directors.

APPENDIX 'C' to the Annual Report on Corporate Governance - 2006

TOD'S S.P.A.

Procedure regulating the identification of relevant parties and operations carried out by them, also through third parties, involving shares issued by the Company or other associated financial instrument
(INTERNAL DEALING PROCEDURE)

Established as per article 152 octies, paragraph 8, letter a), Consob Regulation n. 11971/99 (Issuers' Regulation") and the Listed Self-Regulatory Code

I. FOREWORD

Pursuant to the new provisions of article 114, comma 7, of Law 58/1998 (hereinafter referred to as "C.L.F.I." and articles 152-sexies and subsequent of Consob Regulation 11971/99, Tod'S S.p.A. (hereinafter referred to as "**Company**") approved the current "*Procedure regulating the identification of relevant parties and operations carried out by them, also through third parties, involving shares issued by the Company or other associated financial instruments*" (hereinafter referred to as "*Internal Dealing Procedure*" or "**Procedure**").

It supersedes the "Internal Dealing Code" approved by the Board of Directors of the Company on November 13, 2002 (modified on March 27, 2003) and posted on the Internet site HYPERLINK "<http://www.todsgroup.com>".

2. RELEVANT PARTIES AND PERSONS CLOSELY ASSOCIATED WITH THEM

With regard to this **Procedure**:

A) Relevant Persons

- a) members of the Board of Directors of the **Company** (executives and non-executives);
- b) Statutory Auditors of the **Company**;
- c) The General Managers of the **Company**;
- d) The directors of the **Company** who have regular access to inside information and have the power to adopt, also as a result of an implicit conferment of powers, strategic management decisions that can impact the development and future outlook of the **Company**;
- e) The Chairman of the Board of Directors, The Managing Director, the Chief Executives, the General Directors, the members of the supervisory body, executives who have regular access to inside information and have the power to adopt, also as a result of an implicit conferment of powers, strategic management decisions that can impact the development and future outlook of companies controlled by, directly or indirectly, Tod's S.p.A, as long as the book value of the stake of the single controlled company represents more than 50 per cent of the assets of the **Company** as shown in the latest approved financial statements;
- f) The executive responsible for drafting the **Company's** auditing documents;
- g) whoever holds a stake² of at least 10 percent of the share capital represented by shares with voting rights as well as any other subject that controls³ the **Company**.

B) Persons closely associated with Relevant Persons:

- h) the spouse, unless legally separated, dependent children, including those of the spouse, and, if they have cohabited for at least one year, parents, relatives and persons related by affinity;
- i) juridical persons, partnerships and trusts, where one Relevant Person or one of the persons listed under letter h) is, solely or jointly, responsible for the management;

² The computation of the stakes for the purpose of disclosure obligations has to take place with the criteria pursuant to Article 118 of the Issuers' Regulation:

- a) any person holding stakes for which he/she has the voting rights or for which the voting rights belong or are attributed to third parties;
- b) in the calculation the shares belonging to legal persons, trusts and controlled companies must be included as well as those shares whose voting rights are attributed to the above mentioned subjects.

³ Pursuant to the application of the current Procedure, the notion of relevant control is that of Article 93 of the C.L.F.I.: "*in addition to the companies indicated in subparagraphs 1 and 2 of the first paragraph of Article 2359 of the Civil Code, the following shall also be considered subsidiaries: a) Italian and foreign companies over which a person has the right, by virtue of a contract or a clause in the instrument of incorporation, to exercise a dominant influence, where the applicable law permits such contracts or clauses; b) Italian and foreign companies where a shareholder controls alone, on the basis of agreements with other shareholders, enough votes to exercise a dominant influence in the ordinary shareholders' meeting. For the purposes of paragraph 1, rights held by subsidiaries or exercised through trustees or nominees shall be considered; those held on behalf of third parties shall not be considered.*"

- l) juridical persons directly or indirectly controlled by a Relevant Person or by a person listed under letter *h*);
- m) persons whose financial interest coincides with those of a Relevant Person or a person listed under letter *h*).
- n) trusts established in favor of a Relevant Person or a person listed under letter *h*).

3. OPERATIONS THAT MUST BE DISCLOSED TO THE MARKET (“*RELEVANT OPERATIONS*”)

The current Procedure must be applied in all operations carried out by Relevant Persons or persons connected to them, in whatever capacity, on the stock market or otherwise, involving the purchase, sale, underwriting or exchange of shares of the *Company* (hereinafter referred to as “*Shares*”):

Financial instruments connected to *Shares*⁴ of the *Company* (hereinafter referred to as “*Financial Instruments*”).

The disclosure obligations foreseen by the current Procedure shall not apply to:

- transactions whose total amount does not reach € 5,000 (five thousand euros) at the end of the year. The overall amount shall be computed summing the transactions involving shares and the financial instruments linked to them carried out by each Relevant Person and the Persons closely connected to them. For derivative linked financial instruments, the amount shall be computed with reference to the underlying shares;
- transactions of securities loans, liens, usufruct and the granting of options for the underwriting of shares;
- transactions carried out by the Relevant Person and Persons closely associated with them;
- transactions operations carried out by the *Company* and its subsidiaries⁵;
- the free allocation of shares or the allocation of purchase or subscription rights and exercising of such rights when they derive from stock option plans pursuant to Article 114 bis of Consob

⁴ *Associated financial instruments* shall mean, pursuant to article 152-sexies, comma 1 of the Issuers' Regulation:

- a) financial instruments that allow the subscription, acquisition or disposal of the *Shares*;
- b) debt financial instruments convertible into *Shares* or exchangeable for shares;
- c) derivative financial instruments based on the *Shares* indicated in Article 1.3 of the C.L.F.I.
- d) other financial instruments, equivalent to *Shares*, representing such shares;
- e) listed shares issued by subsidiaries of the *Company* and financial instruments referred to in points 1) and 4) linked to them;
- f) unlisted shares issued by subsidiaries of the *Company*, when the book value of the holding in the subsidiary represents more than 50% of the *Company's* assets, as shown in the latest approved annual financial statement and financial instruments referred to in points 1) and 4).

⁵ Article 152 *septies*, paragraphs 3 and 4, of the Issuers' Regulation.

Regulation no. 11971/99;

- transactions for which there is no economic remuneration, like donations or gratuities.

4. DESIGNATED SUBJECT

4.1 The subject designated (hereinafter referred to as the "*Designated Subject*") to receive, manage and disclose to the market the information regarding Relevant Operations is the Chairman of the Internal Audit Committee for the Corporate Governance, who can delegate to one or more subjects, in case of his absence or hindrance, who will have to fulfill the obligations established by the current Procedure.

In carrying out his/her function, the *Designated Subject* shall have the possibility to cooperate with the managers of the Legal Department of the *Company* or with personnel of the *Company* as may be identified and designated.

The *Designated Subject*, his/her assistants and possible substitutes are obliged to keep, until the moment the information is disclosed to the market, the utmost confidentiality regarding the information received pursuant to the current paragraph of the *Internal Dealing* Procedure.

4.2 The *Designated Subject* shall:

- a) keep updated the list of Relevant Persons checking that these receive the given information on the contents of the current Procedure and the associated obligations;
- b) assist the Relevant Persons in informing the *Company* of Relevant Operations within the deadlines and according to the modalities established by the current Procedure;
- c) receive the notifications of Relevant Operations and their disclosure to the market pursuant to the terms established by the current Procedure;
- d) keep the notification of Relevant Operations and those disclosed to the market;
- e) monitor the application of the current Procedure, submitting to the Board of Directors the possible amendments that in the future may become necessary to adapt it to the law or to improve aspects of the operational management.

The duties listed in the above mentioned points "a)" to "e)" shall be also be executively tended to by the *Company* personnel as under previous point 2 of paragraph 4.1 (managers of the Legal Department of the *Company* or *Company* personnel when the need is identified and it is instructed by the Designated Subject).

5. BEHAVIORAL AND DISCLOSURE OBLIGATIONS

The *Relevant Persons* indicated in letters "a)" to "f)" of paragraph 2⁶ must inform **Consob** and the **Company** of *Relevant Operations* by the fifth day of open market from the date in which they were carried out by them or by *Persons closely associated with them*.

The *Relevant Persons* indicated in letter g) of paragraph 2 must inform the **Public** by the end of the fifteenth day of the month that is subsequent to the one in which the *Relevant Operations* were carried out.

Relevant Persons perform their disclosure obligation:

- **to Consob:** by sending the *Filing model* attached in copy as Appendix I, by fax to the number 06.8477612 if sent from Italy, +39 6.84.77.612 if sent from abroad, or by e-mail to the address HYPERLINK <mailto:internaldealing@consob.it>, or using the Network Information System or with other procedures that shall be each time established by Consob;
- **to the Company:** making the *Designated Subject* receive the above mentioned document at the fax number 0734 866 612 if sent from Italy, +39 734 866 612 if sent from abroad, or to another number communicated by the *Designated Subject*, or by e-mail to address to HYPERLINK <mailto:soggettopreposto@todsgroup.com>, or giving by hand the communication directly to the *Designated Subject* (that will give a receipt) at the **Company** headquarters;
- **to the Public:** with the procedures established by article 66, paragraphs 2 and 3 of the Issuers' Regulation⁷ or with the procedures established from time to time by the existing laws.

When the communication is not be handed over directly to the *Designated Subject*, he/she shall supply the Relevant Person an immediate receipt by fax or e-mail to the addresses that the *Relevant Persons* are committed to supplying based on need to the **Company**.

The *Relevant Persons* are responsible for the exact and timely communication of information due to the **Company**, to Consob and to the Public and will therefore respond to the **Company** for any damage, also in terms of image, that it incurred because of their possible non-compliance to this obligation.

Upon request of the Relevant Person, the **Company** can be designated to carry out the notification on behalf of the Relevant Person to Consob and the Public, without prejudice to the

⁶ "Anyone who holds a holding of at least 10 percent of the capital represented by shares with voting rights as well as any other subject that controls the **Company**."

⁷ 2) The issuers of financial instruments and the subjects that control them shall disclose the information pursuant to article 114, comma 1, of the Consolidated Law by sending a press release to:

- a) the company that manages the market who in turn makes it immediately available to the public;
- b) at least two wire services
- 3) the press release is at the same time transmitted to the market and to Consob.

fact that the *Relevant Persons* shall in any case be responsible for any lack of or non-exact communication and therefore reserving the right of compensation towards the *Relevant Person* by the **Company** for any damage, also in terms of image, that it incurs because of such failure to comply.

Should the *Relevant Person* want to confer the duty to the **Company**, the communication of *Relevant Operations* to the **Company** shall have to be carried out peremptorily by:

- a) the *Relevant Persons* indicated in letters "a)" to "f)" of paragraph 2 by and not beyond the third day of open market starting from the date in which they were carried out;
- b) the *Relevant Persons* indicated in letter "g)" of paragraph 2 by and not beyond the end of the fourteenth day of the month subsequent to the one in which the operation was carried out.

The other legal and regulatory obligations are in any case applicable from time to time to the *Relevant Persons*.

6. NON-COMPLIANCE OF THE BEHAVIOR AND INFORMATION OBLIGATIONS ESTABLISHED BY THE CURRENT PROCEDURE

The rules of the current Procedure are **binding** for the *Relevant Persons* and constitute an integral part of the duties and responsibilities deriving from the relationship that they established with the **Company**.

In case of non-compliance to the behavioral and informational obligations foreseen by the *internal dealing* Procedure, the sanctions towards the *Relevant Persons* will be set from time to time in relation to the gravity of the violation by a resolution of the Board of Directors of the **Company** with the opinion of the Board of Auditors of the **Company**.

In particular, failure to comply with legal and regulatory provisions relating to disclosure of information as described in the current Procedure may result in the following:

- a) the **Company** or the physical person who had the disclosure obligation may be punished, pursuant to article 193, comma 1, C.L.F.I., with a "pecuniary administrative sanction from five thousand to five-hundred thousand euros;"
- b) for the *Relevant Persons* the consequences and the responsibilities established by the applicable regulations to the relationship, therefore including the responsibility towards the **Company** for damages, also in terms of image, that it incurred because of such non-compliance.

In particular, towards the **Company** employees there will be sanctions established by the Law and by the current Procedure, while, for non-employees, the **Company** reserves the right to

interrupt, also without notice, the relative relationship. The Board of Directors will have the option to communicate to the market the possible violations committed by the *Relevant Persons*.

7. PROCESSING OF PERSONAL DATA

Each *Relevant Person*, by giving his/her consent foreseen in the communication attached in Appendix 2, irrevocably accepts the processing of the data requested to apply the current Procedure, also if the processing is carried out through third parties, exclusively to fulfill regulatory rules issued by Consob pursuant to article 114, comma 7 of Legislative Decree no. 58 dated February 23, 1998; he/she also accepts that the same information be inserted, also in synthesis, in the Financial Statement, half-year report and the quarterly reports of TOD'S S.p.A.

Pursuant to Legislative Decree 196/03 regulating the protection of personal data, disclosure of Relevant Persons must contain only the data necessary to meet the specific objects that the data is destined to. The data shall:

- be communicated to Consob, Borsa Italiana and the Public, exclusively for the pertinent obligations, objectives and requirements previously indicated;
- be kept for the necessary period depending on the reason for which they were received.

The information regarding the Relevant Persons shall be processed by Tod's S.p.A. (as data controller) in respect to the provisions of Legislative Decree 196/03 and other applicable provisions.

The data is processed in order to fulfill the obligations of the legal and regulatory provisions that Tod's S.p.A. (and all other companies of the Tod's Group) must apply because it is listed on the regulated market managed by Borsa Italiana S.p.A.

These data can also be processed manually with the help of electronic means, in respect to the legal provisions.

The possible refusal to process the data requested pursuant to the current Procedure will make it impossible for Tod's S.p.A. to fulfill the obligations established by legal and regulatory provisions and shall justify the consequent sanctions.

The *Relevant Persons* can exercise their rights pursuant to article 7 of Legislative Decree 196/03 (the Right to access personal data and other rights) turning to the *Company's Designated Subject*.

8. AMENDMENTS AND INTEGRATIONS

The Board of Directors of the *Company* or in emergency situation its Chief Executive shall

update or integrate the current Procedure should it be necessary in order to implement in a more efficient way the existing law. The amendments and integrations shall be submitted to the directors in the first subsequent meeting of the Board.

The *Designated Subject* shall validly update or integrate the current Procedure should these updates or integrations be imposed by reason of changes in the Laws or Regulations to the extent to which they are applicable. The Board of Directors will subsequently have to ratify the updates and integrations.

9. FINAL PROVISIONS

The *Designated Subject* sends two copies of the current Procedure to the Relevant Persons;

The *Relevant Persons* must inform the Persons closely associated to them of the current Procedure⁸.

Each *Relevant Person* shall:

- return a copy of the form reported in Appendix 2 to the *Designated Subject* along with an example of the present Procedure, duly signed to indicate acceptance thereof;
- comply with the provisions contained therein;
- contact the *Designated Subject* if requiring clarification on its implementation procedure.

10. ENTRY INTO FORCE

This Procedure shall enter into force with immediate effect.

Sant'Elpidio a Mare - June 21th, 2006

⁸ Article 152 *octies*, comma 10, Issuers' Regulation

APPENDIX 'D' to the Annual Report on Corporate Governance - 2006

Guidelines for the System of Internal Control of the Tod's Group

SUMMARY: 1. The System of Internal Control of the Tod's Group: general guidelines and identification criteria for the principal risks of the business. – 2. Individuals and bodies responsible for control processes. – 3. Board of Directors. – 4. Audit Committee. – 5. Director Responsible for Internal Control. – 6. Heads of Internal Control. —7. Executive Responsible for Financial Reporting. – 8. Board of Statutory Auditors. – 9. Employees. – 10. Strategically important companies in the Tod's Group.

I. The System of Internal Control of the Tod's Group: general guidelines and identification criteria for the principal risks of the business.

I.1 The System of Internal Control of Tod's S.p.A. (the "Issuer") and Tod's Group is a combination of rules, procedures and organisational structures whose purpose is to monitor observance of corporate strategies and pursuit of the following objectives:

- a) effectiveness and efficiency in the company's processes (management, production, distribution, etc.);
- b) quality and reliability of financial reporting;
- c) compliance with laws, regulations and corporate policies and procedures;
- d) safeguarding the company's assets and protecting against loss.

I.2 These controls involve, with differing roles and within their respective areas of responsibility, the administrative bodies (Board of Director, Audit Committee, Director Responsible for Internal Control), the Board of Statutory Auditors, the Heads of the Internal Control functions, the Executive Responsible for Financial Reporting and all personnel, all of whom are to observe the guidance and principles contained in the 'Guidelines for the System of Internal Control' both for the Issuer and for the Tod's Group (hereinafter referred to as the "Guidelines").

I.3 The System of Internal Control of the Tod's Group (it being understood that no control process can, in absolute terms, protect against risks inherent to the company's business activities, or against fraudulent violation of laws, regulations or corporate policies and procedures, human error, or extraordinary events which may be harmful to the Tod's Group) shall:

- ensure the necessary separation between operational and control functions and, therefore, be structured so as to avoid or minimise conflicts of interest in the allocation of responsibilities;

- facilitate the identification, measurement and adequate monitoring of risks faced by the Issuer and the Tod's Group, paying particular attention to, among other things, those companies which are strategically important;
- establish controls at all operational levels and clearly define tasks and responsibilities, in particular, in relation to oversight and intervention for any irregularities encountered;
- ensure reliable information systems and appropriate reporting processes at all levels having a control function;
- guarantee that any anomalies revealed are promptly made known at the appropriate levels within the company;
- enable the recording of all business events and, in particular, all transactions with the adequate level of detail and ensuring its allocation to the correct period.

1.4 The System of Internal Control is to be subjected to periodic checks and reviews and should take into account changes in the company's activities and operating environment.

1.5 The System of Internal Control for the Issuer and the Tod's Group should enable a reasonably prompt response to the various types of risk (operational, market, liquidity, credit, regulatory, employee fraud or disloyalty, legal, reputational, etc.) to which the Issuer and the Group are exposed over time.

1.6 The System of Internal Control should enable the identification, measurement and control of the level of exposure of the Issuer and all other companies in the Tod's Group – and, in particular, those companies which are strategically important – to various risk factors, in addition to management of the total exposure, having regard to: (i) the potential correlation between various risk factors; (ii) the level of probability that the risk will materialise; (iii) the impact of the risk on the business; (iv) the overall level of risk.

1.7 The System of Internal Control should provide, among other things, suitable procedures for highlighting irregular situations which may serve as indicators of inefficiency, including inefficiencies in the systems for risk measurement and control.

1.8 Consistent with the general guidelines for the System of Internal Control, the combined management and accounting policies and procedures shall apply to the preparation of individual and consolidated financial statements, and other reporting of a financial nature, which are to be prepared by the Executive Responsible for Financial Reporting in accordance with legal and regulatory requirements.

2. Individuals and bodies responsible for control processes.

2.1 The principal corporate bodies responsible for the processes of control, monitoring and compliance for the Issuer and the Tod's Group (according to their respective areas of responsibility, specified in this document in compliance with the requirements of current laws and regulations, and with the recommendations set out in the Code on Corporate Governance for Listed Companies – revised March 2006) are the following:

- a) Board of Directors;
- b) Director Responsible for Internal Control;
- c) Audit Committee;
- d) Heads of Internal Control;
- e) Executive Responsible for Financial Reporting;
- f) Board of Statutory Auditors.

3. Board of Directors

3.1 The Board of Directors has ultimate responsibility for the System of Internal Control and, therefore, it:

- a) establishes and updates the principles and guidance contained in the 'Guidelines for the System of Internal Control', with the assistance of the Audit Committee;
- b) appoints an executive director to supervise the functioning of the System of Internal Control (hereinafter referred to as the "Director Responsible for Internal Control");
- c) at least once per year, to coincide with the Board of Directors' meeting held to approve the parent company and consolidated financial statements, approves the strategies and policies for managing the principal risks of the Issuer and the Tod's Group (with particular attention to those companies having strategic importance) on the basis of the analysis of the Director Responsible for Internal Control referred to in paragraph 5.1 c), and with the assistance of the Audit Committee, which informs the Board on the status of the System of Internal Control in relation to factors representing risks to the Company and Group;
- d) at least twice per year, to coincide with the Board of Directors' meeting held to approve the annual and half-yearly financial statements, checks the adequacy and effective functioning of the System of Internal Control, and, with the assistance of the Audit Committee, ensures that:
 - the tasks and responsibilities are allocated in a clear and appropriate manner;
 - the control functions, and, in particular, the Heads of Internal Control and the Executive Responsible for Financial Reporting, are provided with adequate resources to carry out their duties and have an appropriate level of independence within the organisation. The Heads of the

Internal Control functions are to be guaranteed independence from the heads of the operational areas which they are responsible for monitoring;

e) at least once per year, to coincide with the Board of Directors' meeting held to approve the third quarter financial statements, determines those companies in the Tod's Group which are considered strategically important;

f) describes the main elements of the System of Internal Control in the annual report on corporate governance, giving its evaluation of the overall adequacy of that system;

g) appoints and dismisses, on the recommendation of the Director Responsible for Internal Control, one or more individuals responsible for internal control, and sets compensation levels which are consistent with company policy.

In the event that deficiencies or irregularities are revealed, the Board of Directors is to promptly adopt the appropriate measures.

3.2 To comply with the principles and directives contained in the 'Guidelines', the Board of Directors may outsource specific controls for the various operational areas of the Issuer and the Tod's Group.

4. Audit Committee.

4.1 The Audit Committee is composed of three non-executive directors, the majority of which are "independent" in accordance with the guidance provided in the 'Code of Corporate Governance for Listed Companies'. At least one of its members is to have the appropriate experience in accounting and finance, which is to be assessed by the Board of Directors at the time of his/her appointment.

The Audit Committee has both a proactive and consultative role and, in particular:

a) assists the Board of Directors in establishing and updating the principles and guidance contained in the 'Guidelines';

b) assists the Board of Directors in the selection of the Director Responsible for Internal Control;

c) assists the Board of Directors in evaluating the adequacy and effective functioning of the System of Internal Control, for the purpose of ensuring that the principal risks of the business are correctly identified and adequately managed. In relation to these activities, it reports to the Board of Directors:

-at least twice per year, to coincide with the Board of Directors' meeting held to approve the annual and half-yearly financial statements, on the adequacy and effective functioning of the System of Internal Control;

-at least once per year, to coincide with the Board of Directors' meeting held to approve the financial statements, on the status of the System of Internal Control in relation to factors representing risks to the Company and Group;

d) receives and evaluates reports from the Head of Internal Control;

e) receives and evaluates the annual work plan prepared by the Head of Internal Control;

f) may ask the Head of Internal Control, at any time, to report on his/her activities and on the status of the System of Internal Control. The Audit Committee may also ask the Head of Internal Control, at any time, to provide copies of documents kept in accordance with the 'Guidelines';

g) at the request of the Director Responsible for Internal Control, may express a view on specific aspects related to the identification of principal business risks as well as to the planning, implementation and management of the System of Internal Control;

h) evaluates, jointly with the Executive Responsible for Financial Reporting and the Independent Auditors, the correct application of accounting principles and their comparability for the purposes of preparing the consolidated financial statements;

i) carries out additional duties which may be assigned by the Board of Directors.

4.2 At a minimum, the Chairman of the Board of Statutory Auditors, or other auditor designated by him/her, will take part in the work of the Audit Committee.

5. Director Responsible for Internal Control

5.1 The Director Responsible for Internal Control, with the assistance of the Heads of the Internal Control functions:

a) is responsible for identifying the principal business risks, taking into account the characteristics of the activities of the Issuer and its subsidiaries (with particular attention to those companies which are strategically important), and for submitting them to the review of the Board of Directors, in addition to the Audit Committee, at least once per year, and to coincide with the Board of Directors' meeting held to approve the parent company and consolidated annual financial statements;

b) is responsible for the planning, management and monitoring of a System of Internal Control which, in accordance with these 'Guidelines', guarantees the efficient and effective supervision of business risks. In particular:

- identifies risk factors faced by the Issuer or the other companies in the Tod's Group (with particular attention to those companies which are strategically important) – notwithstanding the fact that the primary responsibility remains with the chief executives of the individual companies – also having regard for changes to the internal and external conditions in which they operate, as

well as their operating performance, variations against forecasts, and changes in the legislative and regulatory environment;

- defines the duties of the operating units dedicated to control functions, guaranteeing that the various activities are managed by qualified personnel who have the necessary experience and specific know-how. In that respect, areas of potential conflict of interest are to be identified and minimised;

- establishes effective channels of communication to ensure that all personnel are aware of the policies and procedures relating to their function and responsibilities;

- establishes information flows to ensure full awareness and manageability of business events;

c) at least once per year, to coincide with approval of the financial statements – and at any other time considered necessary or appropriate depending on the specific circumstance (i.e., the emergence of a significant new risk or a significant increase in the probability of a risk materialising) - presents the business risks identified and the combined control processes (designed and implemented to prevent, minimise, and effectively and efficiently manage such risks) for the review and assessment of the Board of Directors, in order to allow the Board to make informed and knowledgeable decisions in relation to strategies and policies for managing the principal risks of the Issuer and Tod's Group (with particular attention to those companies which are strategically important);

d) proposes the appointment, dismissal and compensation of the Heads of the Internal Control functions to the Board of Directors (duly informing the Audit Committee), ensures their independence and autonomy from the heads of the operational areas which they are responsible for monitoring, and provides them with the appropriate resources to effectively carry out the duties assigned to them.

6. Heads of Internal Control.

6.1 The Heads of the Company's Internal Control function, each having his/her respective area of responsibility, are the acting heads of Internal Audit. These individuals coordinate their work and, in carrying out their duties, utilise other auditors from the Internal Audit function, which is staffed with the appropriate personnel, both in qualitative and quantitative terms.

6.2 The activities of the Heads of Internal Control and the other auditors extend to all companies in Tod's Group (with particular attention to those companies considered by the Board of Directors as strategically important) and they have access to all their areas of activity and the related documentation.

In the event that certain areas of control are outsourced by the Company or the other companies of the Group, the Heads of Internal Control shall also have access to the documentation produced by the entities or individuals engaged.

6.3 The Heads of Internal Control are responsible for, amongst other things, verifying the suitability of internal procedures to ensure the adequate containment of risks of the Issuer and the Tod's Group, and assisting the Group in identifying and evaluating major exposure to risk. The Heads of Internal Control carry out these tasks by undertaking sample audits on the processes being reviewed.

6.4 The Heads of Internal Control, who coordinate their work in their respective areas of responsibility, shall:

- a) provide a description – which may be in a single document – of the proposed annual work plan to the Audit Committee allowing adequate time for the Committee to fulfil its role and, in particular, to incorporate any suggestions which the Committee wishes to make;
- b) assist the Director Responsible for Internal Control in the planning, management and monitoring of the System of Internal Control and in the identification of the various risk factors;
- c) plan and implement, consistent with the annual work plan, targeted audit activities which are specific to the respective areas of the Issuer and the companies of the Group (with particular attention to those companies which are strategically important) to rectify any lacks in the System of Internal Control in relation to the various areas of risk;
- d) verify, each for his/her respective area of responsibility, that the rules and procedures for internal control processes are complied with and that all individuals/entities involved operate in accordance with the predetermined objectives. In particular, they:
 - check the reliability of information flows, including the automated data processing systems and management and accounting reporting systems;
 - verify, within the scope of the work plan, that the procedures adopted by the Issuer and the Group ensure compliance, in particular, with current laws and regulations;
- e) investigate, in addition, the existence of specific irregularities, where they deem it appropriate or upon the request of the Board of Directors, the Audit Committee, the Director Responsible for Internal Controls or the Board of Statutory Auditors;
- f) verify, using the means considered most appropriate, that irregularities revealed in the internal control process have been removed;
- g) maintain orderly documentation in relation to the activities carried out. This documentation is to be available to the individuals and entities responsible for the control processes, indicated in article 2, upon request;

h) report the results of their audit activities using the appropriate “Audit Reports” which are to be sent to the Director Responsible for Internal Control, to the Audit Committee and to the head of the function subject to audit. Where the audit activities include Group companies, the Audit Reports are also sent to the relevant corporate bodies of the company/companies concerned.

In addition, on the basis of the audit results and the analysis of business risks, they are to detail any failings or weaknesses in the System of Internal Control and propose actions steps which may be required. The failings or weaknesses identified and action steps proposed are to be included in the relevant Audit Report;

i) at least twice a year (and allowing adequate time for the Audit Committee and the Board of Directors to fulfil their respective responsibilities), to coincide with the Board of Directors’ meetings to approve the annual and half-yearly financial statements, prepare a report, which may be in a single document, providing a half-yearly summary of the principal issues arising during the period and/or the year. The report prepared for these meetings is also to contain an update on business risks emerging during the year;

l) describe the activities carried out, providing all of the reports referred to in point i) above, to the following bodies:

- the Director Responsible for Internal Control and any responsible bodies of companies of the Group in which the audit activities were carried out;
- the Audit Committee, whose meetings they may attend by invitation from members of the Committee.

The Audit Committee shall provide the reports to other members of the Board of Directors, as appropriate to the meeting agenda; the Board of Statutory Auditors is to have the opportunity to view the aforementioned documents in meetings of the Audit Committee;

m) where critical issues requiring urgent action exist, they shall immediately inform the Director Responsible for Internal Control and the corporate bodies responsible, in addition to the Audit Committee and the Board of Statutory Auditors, updating them on the results of actions taken.

7. Executive Responsible for Financial Reporting.

7.1 By law, the Executive Responsible for Financial Reporting is responsible for implementing adequate administrative and accounting procedures for the preparation of the individual and consolidated financial statements, in addition to other reporting of a financial nature.

The Executive Responsible for Financial Reporting has ultimate responsibility for the planning, management and monitoring of those processes relating, in particular, to management and

accounting information flows (including the automated data processing and accounting reporting systems) and for attesting to their adequacy and effective application, as defined by the relevant laws and regulations.

As part of his/her function, the Head of Internal Control for the administrative-accounting area is responsible for verifying the reliability of information flows of an administrative-accounting nature which have been put in place by the Executive Responsible for Financial Reporting.

8. Board of Statutory Auditors.

8.1 By law, the Board of Statutory Auditors is responsible for, among other things, overseeing the application of appropriate management principles and the adequacy of the company's organisational structure, for those areas under its supervision, of the System of Internal Control and of the accounting administration system, in addition to the reliability of the latter in giving a correct view of business events.

In particular, and in fulfilment of the above duties:

- a) the Board of Statutory Auditors attends the meetings of the Board of Directors and Executive Committee;
- b) at a minimum, the Chairman of the Board of Statutory Auditors, or other auditor designated by him/her, will take part in the work of the Audit Committee;
- c) the Board of Statutory Auditors undertakes an independent evaluation of the effectiveness and functioning of the System of Internal Control, and makes recommendations to the corporate bodies responsible, as appropriate, for the purpose of strengthening the System of Internal Control;
- d) the Board of Statutory Auditors reviews the reports of the Heads of Internal Control at meetings of the Audit Committee and may ask them to present the results of the activities carried out at periodic audit meetings in order to directly and independently evaluate the efficiency of the System of Internal Control.

8.2 In performing its functions, the Board of Statutory Auditors may rely on all of those units which have a control/audit function (Internal Audit, above all) commensurate with their existing work plans. In addition, the Board of Statutory Auditors may, at any time, request any data and information from the Independent Auditors which it deems useful in carrying out its own audit activities.

8.3 In relation to article 8 of the Code on Corporate Governance, the Board of Statutory Auditors is responsible for the evaluation of proposals from the Independent Auditors seeking

engagement, in addition to the audit work plan, the results presented in the financial statements, and any letter of recommendations.

9. Employees.

All employees of the Tod's Group, in accordance with their respective roles, are to contribute to ensuring the effective functioning of the System of Internal Control, reporting any significant failure of the system to their respective supervisor so that the Head of Internal Control for the area concerned may be made immediately aware.

10. Strategically important companies in the Tod's Group.

10.1 The respective chief executives have the primary role (and responsibility) of supervising the functioning of the System of Internal Control of each company belonging to the Tod's Group (planning, management and monitoring) and the Board of Directors of Tod's S.p.A., with the assistance of the Audit Committee, is to assess its adequacy.

10.2 The Directors of Tod's S.p.A. are to evaluate the adequacy of the System of Internal Control of those subsidiaries considered strategically important on the basis of the information provided by the Heads of Internal Control of the Issuer, who shall also carry out direct and specific control activities – beyond just Tod's S.p.A. – at the subsidiary companies.

Those heads are to report to the corporate bodies responsible, in particular, on the status of implementation and functioning of the System of Internal Control within the subsidiaries considered strategically important (as part of the Audit Reports provided periodically to the bodies referred to above).

Where weaknesses or irregularities are revealed, the Board of Directors is to adopt the appropriate measures in a timely manner.

10.3 Strategically important subsidiary companies are those that the Board of Directors of Tod's S.p.A. considers as such, taking into account the following criteria:

- i) number of employees;
- ii) revenues;
- iii) assets;
- iv) the presence of a detailed organisational structure, characterised by a significant management structure (as distinct from members of the Board), and having operational autonomy;
- v) strategic significance in its market.

10.4 The Board of Directors of Tod's S.p.A. shall, at least once per year, to coincide with the Board meeting held to approve the third quarter financial statements, specify those companies within the Tod's Group which are considered strategically important.