

(Translation of the Annual Corporate Governance Report 2009 issued in Italian by TOD'S S.p.A. Board of Directors
on March 22nd, 2010, solely for the convenience of international readers)

Tod's s.p.a.

ANNUAL CORPORATE GOVERNANCE REPORT OF TOD'S S.P.A.
FINANCIAL YEAR JANUARY 1ST – DECEMBER 31ST, 2009

*prepared pursuant to Article 123 bis of Legislative Decree 58/98, Article 89 bis of Consob Regulation 11971/99
and Article IA.2.6 of the Borsa Italiana Regulation Instructions
and approved by the Board of Directors of 22 March 2010
available in the "Corporate Governance" section of the web site www.todsgroup.com*

Shareholders,

In accordance with applicable statutory and regulatory provisions, the Borsa Italiana Regulation instructions and the “experimental format for the corporate governance and shareholders report” disseminated by the Market Operating Company, the Tod’s S.p.A. Board of Directors publishes the following complete report on its corporate governance system. Reference is made here to the Corporate Governance Code of Listed Companies (March 2006 edition; also referred to hereinafter as the “Code”).

This report, approved on March 22nd, 2010 (referred to hereinafter as the “Report”), also contains information on the ownership structure pursuant to Article 123 bis, of Legislative Decree 58/98 is available in the “*Corporate Governance*” section of the website www.todsgroup.com, pursuant to applicable laws and regulations.



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I. PROFILE OF ISSUER

I.1 Overview of Company corporate governance system.

Tod's S.p.A.'s corporate governance system is based on the conventional (so-called "Latin") model. Accordingly, the Company's corporate 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, on section "Corporate Governance".

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

The Executive Committee is invested with all the powers not expressly reserved to the competence of the Board of Directors under 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: is made up of three auditors and two alternates and is the Company's management control body. The Board of Auditors is responsible for supervising that, during its operations, the Company complies with the laws and Articles of Association and the principles of correct administration and imparts adequate instructions to its internal organs and subsidiaries. The Board of Auditors is also required to monitor the adequacy of the Company's organisational structure concerning aspects of jurisdiction, internal control and the administrative-accounting system, as well as the reliability of the latter to represent correctly the management-related issues, by carrying out the necessary checks for this purpose.

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

2. INFORMATION ON SHAREHOLDERS AT THE APPROVAL DATE OF THIS REPORT (Art. 123 bis, paragraph 1, TUF)

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

a) Structure of share capital.

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

The current Share Capital, fully subscribed and paid-up, amounts to Euros 61,218,802.00, divided in 30,609,401 ordinary shares.

There are no share-based incentive plans in place which involve share capital increases, even on a no charge basis, at the approval date of this Report.

SHARE CAPITAL STRUCTURE

	No. of shares	% compared to Share Capital	Listed (indicate the markets) / not listed	Rights and obligations
Ordinary shares	30,609,401	100%	Italian Electronic Stock Exchange managed by Borsa Italiana S.p.A.	
Shares with limited voting rights				
Shares with no voting rights				

b) Restrictions on the transfer of shares.

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

c) Major shareholders.

According to the information provided in the register of Shareholders and the updates available at the approval date of this Report, including the notices received by the Company pursuant to Article 120 of Legislative Decree 58/98 ("TUF"), as well as all other information available to it, the following parties are direct or indirect owners of more than 2% of the subscribed and paid-in share capital:

SHAREHOLDERS	NO. OF ORDINARY SHARES	% OF SHARE CAPITAL
DIEGO DELLA VALLE of which	19,834,624	64.799 %
- directly	852,000	2.783 %
- indirectly through DI VI Finanziaria SapA di Diego Della Valle & C.	16,426,172	53.664%
- indirectly through Diego Della Valle & C. SapA	2,556,452	8.352%
OPPENHEIMERFUNDS INC.	1,155,554	3.775 %

ARNAULT BERNARD through Delphine s.a.s.	1,059,900	3.462 %
DELLA VALLE ANDREA	868,716	2.838 %
PICTET ASSET MANAGEMENT LTD.	614,067	2.006 %
FIL LIMITED	612,721	2.001 %

d) Owners of shares granting special rights of control.

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

e) Employee shareholdings

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

f) Restrictions on voting shares.

The Articles of Association of Tod's S.p.A. do not include special provisions imposing restrictions or limits on voting rights, and the financial rights connected with shares are separate from the owners of those shares. Reference should be made to Section 13 hereunder for information on the terms of deposit envisaged by the Articles of Association for exercising the right to attend and vote at the Shareholders' Meeting.

g) Shareholders agreements pursuant to Article 122 TUF.

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

h) Change of control clauses.

There are no significant agreements in place to which the Issuer or other group Company is a party which become effective, are amended or terminate if a change of control occurs involving the Company, except for a loan agreement entered into on 30th July 2004 amounting to Euros 15,000,000.00 (the corresponding exposure of which amounts to Euros 8,340,026.091 at the approval date of this Report), and that is terminated automatically if a change of control occurs involving the Issuer.

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

i) Powers to increase the Share Capital; authorisations to purchase treasury shares.

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

In accordance with Article 2357 and following articles of the Italian Civil Code, the Ordinary Meeting held on 20th April 2009 authorised the Board of Directors to purchase treasury shares until one tenth of the Share Capital is reached, over a period of 18 months commencing from the date the resolution was passed; the authorisation also includes the power to assign the treasury shares which may be purchased, not subject to time limits, even before completing the purchases.

The purchases may be made on the market based on a public purchase or swap offer, in accordance with Article 132 of the Unified Finance Law (TUF) and Article 144-bis of Consob Regulation No. 11971/99, and in compliance with the operating procedures established by Borsa Italiana, subject to regulation, or by buying and selling derivative instruments traded on regulated markets which envisage the physical delivery of the underlying shares, in compliance with the regulatory provisions; in any event, parity treatment among the Shareholders must be ensured and compliance with every applicable regulation, including the applicable EU standards.

The purchase price of each treasury share, including the accessory purchase charges, shall correspond to a minimum of no less than 15% and to a maximum of no more than 15% of the mean official trading prices recorded on the Italian Electronic Stock Exchange over the three sessions preceding the purchase; whereas, the selling price to third parties must correspond to no less than 95% of the mean official prices recorded on the Italian Electronic Stock Exchange over the three days preceding the sale (this price limit may be departed from in cases of swaps or assignments of treasury shares in the framework of executing industrial projects).

Neither Tod's S.p.A. nor its subsidiaries held Tod's S.p.A shares as at 31 December 2009, corresponding to the close of the financial year.

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

l) Management and coordination activities.

Even though Tod's S.p.A. is subject to control by DI VI Finanziaria Sapa di Diego Della Valle & C. (in accordance with Article 93 of Legislative Decree No. 58/1998) neither the latter Company, nor any other party has imposed guidelines and/or interfered in the management operations of Tod's S.p.A. (or any of the companies controlled by Tod's S.p.A.): in fact, therefore, management of the Issuer and its subsidiaries is not managed and coordinated by third parties outside the Tod's S.p.A. Group.

Therefore, Tod's S.p.A. is not subject to management and coordination activities by the Parent Company DI VI Finanziaria Sapa, nor by any other party, pursuant to Article 2497 and following articles of the Italian Civil Code.

In accordance with the principles of Self-regulation – and as illustrated in greater detail below – the transactions of particular strategic, economic, equity and financial significance executed by the Tod's S.p.A. Group are subject to corporate review and exclusive approval by the Board of Directors of Tod's S.p.A.; the Board of Directors – as verified lastly on 22nd March 2010 – comprises 4 Directors that meet the (non-executive and) independence requirements, based on the principles established under Article 3 of the Self-regulatory Code.

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

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

m) Agreements between the Company and Directors.

The information requested by Article 123-bis, paragraph 1, sub-section i) of the Unified Finance Law (TUF) ("*agreements between the Company and Directors ... which envisage indemnities in the event of resignation or dismissal without just cause or if their employment relationship terminates following a public purchase offer*") are illustrated in the section of the Report dedicated to Directors' compensation (paragraph 8).

n) Appointment and substitution of Directors and statutory amendments.

The information requested under Article 123-bis, paragraph 1, sub-section l) of the Unified Finance Law (TUF) ("*provisions applicable to appointing and substituting Directors ... as well as amending the Articles of Association, if different from the legislative and regulatory provisions applicable as a supplementary measure*") are illustrated in the section of the Report dedicated to the Board of Directors (paragraph 4.1).

3. COMPLIANCE

l) Implementing the principles contained in the listed companies Self-regulatory Code (March 2006 edition)

As already outlined in the preceding annual Reports, the Board of Directors of Tod's S.p.A. adopted a series of resolutions, effective from the Meeting held on 13th November 2006, designed to ensure the actual implementation of the principles established in the Self-regulatory Code (accessible to the general

public on the Borsa Italiana website at the following address: www.borsaitaliana.it), as illustrated in detail below, and then resulting in the resolutions concerned, lastly, also during the 2009 financial year. Before describing the Issuer's corporate governance structure, it must be pointed out that at its November 11th 2009 meeting, the Board of Directors of the parent company Tod's S.p.A. confirmed that the following companies identified at its November 12th 2008 meeting were "strategic subsidiaries": Tod's France Sas, Tod's Japan KK, Deva Inc. and Tod's Hong Kong Ltd., which are respectively subject to French, Japanese, United States and Chinese law. In the opinion of the Board of Directors, this circumstance does not have a material impact on the Issuer's governance structure.

4. BOARD OF DIRECTORS

4.1 Appointing and substituting Directors and statutory amendments

In accordance with Article 147-ter of the Unified Finance Law (TUF), the Articles of Association of Tod's S.p.A. (Article 17) envisage that the election of the Board of Directors is to be conducted based on the list vote mechanism, attributing a Director to the list that ranked second by number of votes (the other members being taken from the list voted most).

Shareholders owning a shareholding that is at least equal to the shareholding established by Consob, as required by law and by the regulations, and that corresponds to 2% of the Share Capital at the approval date of this Report are entitled to present the lists of candidates to allocate the Directors to be elected, as duly established by Consob in resolution No. 17148 dated 27th January 2010.

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

Also in accordance with the principles of Self-regulation to which the Company has complied, the lists of candidates presented by the Shareholders must be registered at the Registered Office – together with the relevant certificates issued by the authorised intermediaries, the candidates' *curricula* and the respective declarations and attestations required by law – at least fifteen days before the date established for the Meeting in first call.

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

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

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

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

With reference to amendments to the Articles of Association, every amendment shall be made in compliance with the applicable legislative and regulatory principles, subject to the condition that the Board of Directors is empowered with the authority to resolve the matters envisaged under Article 2365, paragraph 2 of the Italian Civil Code, including adapting the Articles of Association to regulatory changes.

4.2 Membership

The Board of Directors in office at the approval date of this Report was approved by the Shareholders' Meeting of April 20th, 2009, which set the total number of directors' seats at 12 (twelve). Its term will expire on the date of the Shareholders' Meeting held to approve the Financial Statements at December 31st, 2011. The personal information and professional qualifications of each director are illustrated as follows, in accordance with Article 144 *decies* of Consob Regulation no. 11971/99, inter alia:

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

2) Andrea Della Valle, Vice Chairman and Managing Director, was born in Sant'Elpidio a Mare (FM) on September 26th, 1965. He began his training and preparation in the United States. He is Chairman of ACF Fiorentina S.p.A. and sits on the boards of directors of various subsidiaries;

3) Fabrizio Della Valle, Director with executive authority and "procuratore" (attorney-in-fact), was born in Sant'Elpidio a Mare (FM) on October 23rd, 1957. Holder of a university degree in economics and business, he has been a consultant to the Group since 1984.

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

5) Stefano Sincini, Executive Director was born in Macerata (MC), on 3rd November 1958, inter alia, appointed to supervise the internal control system function. He joined the company in 1984 after receiving a university degree in banking. He has been General Manager since the early 1990's, and Managing Director since 2003;

6) Luigi Abete, independent director without executive authority, was born in Rome (RM) on February 17th, 1947. Holder of a law degree, he was Chairman of Confindustria from 1992 to 1996. He has been Chairman of Banca Nazionale del Lavoro S.p.A. since 1998. In 2007 also received a degree in economics and business *honoris causa* from the University of Sannio;

7) Maurizio Boscarato, director without executive authority, was born in Ancona (AN) on March 27th, 1941. A lawyer, he operates his own law firm in Ancona. He established a close collaborative relationship with the Group in the mid-1990's, overseeing the legal issues connected with its development.

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

9) Luca Cordero di Montezemolo, independent director without executive authority, was born in Bologna (BO) on August 31st, 1947. Holder of a law degree, he is Chairman of Fiat S.p.A. and Ferrari S.p.A. He has been the Chairman of Confindustria and sits on the boards of directors of prestigious organisations and companies inside and outside Italy.

10) Emanuele Della Valle, director without executive authority, was born in Macerata (MC) on June 11th, 1975. After completing his studies abroad and acquiring extensive international experience in the United Kingdom, Hong Kong and the United States, he now works in the marketing and advertising sector.

11) Pierfrancesco Saviotti, independent director without executive authority, was appointed Lead Independent Director on April 20th, 2009. Born in Alessandria (AL) on June 16th, 1942, he was Chief Executive Officer of Banca Commerciale Italiana and General Manager (Loan Business Unit) of Banca Intesa. After having been senior advisor for Italy and Vice Chairman of Merrill Lynch Europe, he has been appointed Chief Executive Officer of Banco Popolare Società Cooperativa. He also sits on the boards of directors of several of the most important Italian companies.

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

The Board of Directors of Tod's S.p.A. reviewed satisfaction of the aforementioned requirements of executive/non-executive authority and independence/non-independence in accordance with the principles set out in Articles 2 and 3 of the Corporate Governance Code, March 14th, 2006 edition. Its most recent review of those requirements was conducted at the Board of Directors meeting held on March 22nd, 2010. As previously mentioned, the Board of Directors identified the strategic subsidiaries of the Tod's S.p.A. Group on November 11th, 2009 for the purpose of proper implementation of the Corporate Governance Code.

The relevant information concerning each Director is detailed below - in table form - while clarifying that all the members of the current Board of Directors, proposed by the majority Shareholder DI VI Finanziaria Sapa di Diego Della Valle & C., were selected from the list presented by the majority Shareholder concerned, with a resolution approved by the Shareholders' Meeting held on 20th April 2009 and with a percentage of favourable votes that corresponded to 99.4181% in relation to the voting share capital.

TABLE FORM 2: BOARD OF DIRECTORS AND COMMITTEE'S MEMBERSHIP

Board of Directors											Internal Control Committee		Compensation Committee		Executive Committee		
Position	Name	Term from	Term to	List (M/m) *	Exec.	Non exec.	Indep. pursuant to Code	Indep. pursuant to TUF	(%) **	Number other positions ***	****	**	****	**	****	**	
Chairman	Diego Della Valle	20/04/2009	31/12/2011	M	X				100	11					X	100	
CEO	Andrea Della Valle	20/04/2009	31/12/2011	M	X				87,5	2					X	100	
CEO	Stefano Sincini	20/04/2009	31/12/2011	M	X				100	0					X	100	
Director	Luigi Abete	20/04/2009	31/12/2011	M		X	X	X	87,5	11			X	100			
Director	Maurizio Boscarato	20/04/2009	31/12/2011	M		X			100	1	X	100					
Director	Luigi Cambri	20/04/2009	31/12/2011	M		X	X	X	87,5	0	X	80	X	100			
Director	Luca Cordero di Montezemolo	20/04/2009	31/12/2011	M		X	X	X	37,5	7			X	100			
Director	Emanuele Della Valle	20/04/2009	31/12/2011	M		X			62,5	2							
Director	Fabrizio Della Valle	20/04/2009	31/12/2011	M	X				75	0					X	75	
Director	Emilio Macellari	20/04/2009	31/12/2011	M	X				100	5					X	100	
Director	Pierfrancesco Saviotti	20/04/2009	31/12/2011	M		X	X	X	87,5	6							
Director	Vito Varvaro	20/04/2009	31/12/2011	M	X				100	2					X	100	
LID	Pierfrancesco Saviotti	20/04/2009	31/12/2011	M		X	X	X	100	6	X	100					
-----DIRECTORS LEAVING DURING THE FINANCIAL YEAR																	
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A	
Shareholding required to present the lists of candidates to directors in the shresholders meeting of 22 april 2009: 2% (Consob resolution n. 16779 dated 27/01/2009)																	
Meeting held during the financial year (nr.):		CDA: 8			CCI: 5			CR: 1			CE: 4						

NOTE

* (M) majority list (m) minority list

** Rate of attendance of each director to the respective Board and Committee's meetings

*** Number of offices held by each director as director or auditor in other listed companies, financial companies, banks, insurance companies or large companies

**** Membership of each director in each committee

In relation to Application Criterion I.C.3 of the Self-regulatory Code, it is hereby confirmed that the Board of Directors did not deem it necessary or appropriate to determine general principles to establish the maximum number of Director or Auditor appointments which may be considered compatible with an effective performance of the office as Company Director, due to the different roles and the multiple situations which are possible in abstract terms. Instead, the Board of Directors opted for an assessment of the individual cases, in relation to the characteristics of each Director (experience, characteristics of the offices held, etc.) from which to deduce the compatibility of the positions held with acceptance of the office on the Issuer's Board of Directors. In any event, the administrative body may adopt the decisions deemed to be most appropriate in this regard.

4.3 Role of the Board of Directors

As previously illustrated in the corporate governance reports prepared for the previous years, the Board of Directors of Tod's S.p.A. plays a key role in determining the Issuer's and Group's strategic objectives.

The Board of Directors met eight times in 2009, with eight meetings being planned for the current financial year (three of which have already been held, including the one for approval of this Report). Board of Directors meetings normally last from two to four hours.

Directors regularly attended Board meetings (the overall attendance rate was 85,40%, while the rate of attendance by independent directors was 75%).

In accordance with the law and the Articles of Association, the Board of Directors has ample powers of ordinary and extraordinary administration, with it being responsible for all those matters that are not expressly reserved by law and the Articles of Association to the purview of the Shareholders' Meeting. Pursuant to the Articles of Association (Article 24), 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, as well as ratifying significant transactions with related parties.

Furthermore, in accordance with criteria I.C.1. and 8.C.1 of the 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;

i) 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) to define the guidelines of the internal control system, in order to identify, measure, manage and monitor the principal risks relating to the Company and its subsidiaries, while ensuring that the compatibility criteria of such risks are determined based on the undertaking's sound and correct management;

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

n) periodically evaluate (at least twice a year) the adequacy, effectiveness and actual functioning of the internal control system, and 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.

In regard to Article I.C.I of the Code, the Board of Directors has formally confirmed (in its "Framework Resolution" on corporate governance adopted November 13th, 2006) the principle that the delegated bodies report to the Board of Directors at least once quarterly on their activities performed pursuant to their granted delegations of authority, in accordance with applicable provisions of law.

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

a) approved, on November 13th, 2006, the "Guidelines for Major Transactions and Transactions with Related Parties of the Tod's S.p.a. Group" ("Guidelines"), which set out precise rules for identifying the transactions falling under the purview of the Board of Directors, the significant transactions concluded with third parties or related parties, including through the subsidiaries;

b) assessed the adequacy of the organisational, administrative and general accounting structure of the Issuer and strategic subsidiaries at the meetings held to approve the half-year financial report at June 30th, 2009 and the draft financial statements at December 31st, 2009; in particular, the assessment was carried out on the basis of the report submitted by the director in charge of the internal control system and with the assistance of the Internal Control Committee which, at its own meetings – attended by the compliance officers – (for more information, see below), continuously verified the effective functioning of the Issuer's and the Group's internal control systems, particularly in regard to the strategic subsidiaries; in regard to the latter, the Board of Directors of the parent company resolved at its November 13th, 2007 meeting to identify the "**strategic subsidiaries**" according to the following criteria:

i) number of employees; ii) sales volume; iii) value of assets; iv) existence of a developed organisational

structure at the subsidiary, characterised by a major management presence (other than members of the board of directors) and vested with operating autonomy; v) significance and complexity of the functions performed by the subsidiary; vi) strategic relevance of the subsidiary on the market. Following analysis of these parameters, most recently at the November 11th, 2009 meeting, the following companies were confirmed as strategic subsidiaries of Tod's S.p.A.: Tod's France Sas, Tod's Japan KK, Deva Inc. and Tod's Hong Kong Ltd.

c) determined the compensation of directors delegated with specific duties and the General Manager's compensation, as proposed by the Compensation Committee and after receiving the Board of Statutory Auditors' opinion on May 13th 2009;

d) assessed general operating performance on March 22nd 2010 according to the information received from the delegated bodies, comparing achieved results with budgeted targets;

e) also on March 22nd, 2010, carried out the self-assessment of the size, membership and functioning of the Board of Directors and its committees, acknowledging that the current Board of Directors is comprised by 12 directors, including seven without executive authority, four of whom are independent, in accordance with the principles set out both in the law and in the Code; the assessment, carried out on the basis of a report by the Internal Control Committee, confirmed the heterogeneous mix of professional expertise represented on the Board of Directors, and in particular the directors with non-executive authority in economic, accounting, legal and/or financial matters.

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

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

4.4 Delegated bodies

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

- to report to the Board of Directors on the transactions effected in exercise of their delegated powers, in terms of ordinary transactions as well as atypical and unusual transactions 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 2006.

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 legal and statutory provisions.

The **Chairman, Mr Diego Della Valle** is also a **Managing Director** invested – under his own sole signature and with authority to sub-delegate – 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. to negotiate, conclude and enter into agreements, instruments, letters or declarations concerning guarantees, surety policies, letters of patronage or guarantees on first demand in favour of the Company and the companies controlled directly or indirectly, including all counter guarantee or surety or acceptance instruments and declarations which may be requested;
- d. purchase and sell personal and real property of any nature and kind whatsoever, as well as to enter into finance lease agreements;
- e. recruit, appoint, suspend and dismiss Company executives and employees in general, save for General Managers who can only be appointed and dismissed by the Board of Directors;
- f. appoint special attorneys-in-fact;
- g. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension, accepting and signing any and all settlements reached with the said Offices;
- h. undertake any and all actions of routine business administration, including, without limitation, the power:

- to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
- to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
- to purchase and sell vehicles, personal property, office machines and equipment in general;
- to purchase the materials, products and machinery necessary or useful to the Company's business;
- to enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
- to enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt 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;
- to execute, urgent, extraordinary administration acts, except for the acts reserved to the exclusive jurisdiction of the Meeting or the Board of Directors, according to law or the Articles of Association, or in compliance with the applicable principles, also the principles of Self-regulation. The Board of Directors shall be informed of such acts in the first Meeting after their execution.

Likewise, the **Vice Chairman, Mr. Andrea Della Valle**, was named **Managing Director** and invested – under his own sole signature and with authority to sub-delegate – 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. to negotiate, conclude and enter into agreements, instruments, letters or declarations concerning guarantees, surety policies, letters of patronage or guarantees on first demand in favour of the Company and the companies controlled directly or indirectly, including all counter guarantee or surety or acceptance instruments and declarations which may be requested;
- d. purchase and sell personal and real property of any nature and kind whatsoever, as well as to enter into finance lease agreements;
- e. recruit, appoint, suspend and dismiss Company executives and employees in general, save for General Managers who can only be appointed and dismissed by the Board of Directors;
- f. to promote legal and administrative actions and petitions before all Courts and Tribunals and also before the Courts of Cassation and to revoke and appoint arbitrators and to confer powers of attorney on lawyers and representatives ad litem; to appoint special representatives in general;
- g. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension, accepting and signing any and all settlements reached with the said Offices;
- h. undertake any and all actions of routine business administration, including, without limitation, the power:
 - to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
 - to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
 - to purchase and sell vehicles, personal property, office machines and equipment in general;
 - to purchase the materials, products and machinery necessary or useful to the Company's business;
 - to enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
 - to enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt 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;
- to execute, urgent, extraordinary administration acts, except for the acts reserved to the exclusive jurisdiction of the Meeting or the Board of Directors, according to law or the Articles of Association, or in compliance with the applicable principles, also the principles of Self-regulation. The Board of Directors shall be informed of such acts in the first Meeting after their execution.

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

- a. request the opening of current accounts, the granting of credit lines and overdraft facilities, signing the related agreements and documents, without any limit on 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 promote legal and administrative actions and petitions before all Courts and Tribunals and also before the Courts of Cassation and to revoke and appoint arbitrators and to confer powers of attorney on lawyers and representatives ad litem; to appoint special representatives in general;
- f. sign and file with any and all the Tax Authorities, declarations of commitment, attachments, motions, including for suspension;

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

- to sign, on the Company's behalf, any and all business correspondence, deeds and agreements, including finance lease agreements;
- to sign agreements and contracts with suppliers, customers, consultants and collaborators as well as any and all other agreements and contracts in keeping with the Company's corporate object;
- to purchase and sell vehicles, personal property, office machines and equipment in general;
- to purchase the materials, products and machinery necessary or useful to the Company's business;
- to enter into and terminate leases, as well as utilities contracts for the supply of electricity, water, gas and telephone services;
- to enter into and terminate insurance contracts of any nature or kind whatsoever, and to settle, pay and collect any and all sums due by way of indemnity or compensation, regardless of amount, issuing valid receipt 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.

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

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

Furthermore, in regard to Principle 2.P.4 (advisability of not concentrating corporate duties in just one person) and Principle 2.P.5 (illustration of the reasons why delegations of operating authority are granted to the Chairman), the Board of Directors, examining again the issue on March 22nd 2010, confirmed its opinion and decided that the corporate governance of Tod's S.p.A. is perfectly consistent with the Company's interests, including in regard to the concentration of duties, considering inter alia that (i) the Chairman, to whom operating authority has been delegated, is the director who has worked for the greatest number of years at the firm, and his role is not limited to institutional and representative functions, but instead fully engaged in Company operations, which is essential to its realising optimum performance; (ii) operating authority has also been delegated to other directors, in addition to the Chairman (there are a total of four directors with executive authority).

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

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

The Executive Committee is expressly invested with all the powers attributed to the Board of Directors, save for those reserved under law (section 2381 of the Italian Civil Code), or the Articles of Association, to the Board itself, without prejudice to the powers reserved solely to the Board of Directors pursuant to the resolution of 13 November 2006, in compliance with the principles of Self-regulation, as already described above.

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

The Executive Committee met 4 times during 2009 and at least 4 Meetings are scheduled for the current financial year (2 of which have already taken place). In general, the Executive Committee's Meetings have a duration that varies from 3 to 9 hours.

The Meetings recorded the regular and diligent participation of its members (in fact, the overall percentage participation was 95.8%, while the percentage participation of each Committee Member in the Meetings held is indicated in the table in paragraph 4.2).

4.5 Other Executive Directors

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

4.6 Independent Directors

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

The independence principles applied by the Company correspond to the principles established by the applicable regulations and by Article 3 of the Self-regulatory Code.

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

Since the Board of Directors comprises more than seven members, again on 22nd March 2010, it was also verified that at least two of the Board Members meet the independence requirements established in accordance with Article 147-ter, paragraph 4 and Article 148, paragraph 3 of the Unified Finance Law (TUF).

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

It is hereby confirmed that the Independent Board Members met on 11th November 2009, without the presence of the other Directors, to examine the implementation status of Legislative Decree No. 231/2001, as well as the implementation status and the actual application of the corporate governance principles established by the listed companies Self-regulatory Code, thereby implementing Application Criterion 3.C.6 of the Code, but also to examine and to discuss the second regulation proposal submitted to consultation by Consob on 3rd August 2009, concerning the discipline of transactions with related parties and the role attributed to the Independent Directors.

4.7 Lead Independent Director

Considering that the Chairman of the Board of Directors, Mr. Diego Della Valle, is the Issuer's Chief Executive Officer, as well as the Issuer's controlling shareholder, the Board of Directors deemed it

appropriate to comply with the recommendation concerning the appointment of a Lead Independent Director in order to assign the functions suggested by the Self-regulatory Code.

The Board appointed the (non-executive and) independent Director Pierfrancesco Saviotti as the “Lead Independent Director”, by complying with Application Criterion 2.C.3 of the Code and with the recommendation mentioned in the comment concerning Article 2; Pierfrancesco Saviotti was assigned the following functions:

- to coordinate the activities of the non-executive Directors in order to improve the contribution to the Board's activities and operation;
- to co-operate with the Chairman to ensure that all the Directors are given complete and timely information;
- to convene meetings of only the Independent Directors whenever deemed necessary to execute the duties ensuring, inter alia, that the Independent Directors meet at least once a year, without the other Directors.

5. HANDLING OF CONFIDENTIAL INFORMATION

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

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

6. BOARD OF DIRECTORS COMMITTEES

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

- Committees shall be made up of at least three members, all whom must be non-executive directors and the majority of whom must also be independent; one of the members of the Internal Control Committee must had 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.

In addition to the Executive Committee, the TOD'S S.p.A. Board of Directors established the Internal Control and Corporate Governance Committee and the Compensation Committee, both of which are charged with providing advice and making proposals. At the date of approval of this Report, the Board of Directors had not found it necessary to set up a nominations Committee, partly in view of the current structure of company ownership.

The principles of corporate governance received by TOD'S S.p.A., most recently with the Board of Directors resolution of November 13th, 2006, require that the proposals for appointment as director, accompanied by adequate disclosure of the candidate's personal information and professional qualifications, with indication of their possibility of being qualified as independent directors pursuant to Article 3 of the Code, are deposited at the registered office of the Company at least fifteen days before the date scheduled for the Shareholders' Meeting and promptly published on the Company website.

Such requirements, in the light of the proposed statutory amendments which will probably be approved by the Shareholders' Meeting called for 22nd April 2010 – taking into account the new regulatory requirements following the adoption of Directive 2007/36/EC in Italy (so-called “record date”), currently appear to be superseded by the new discipline that will envisage the future obligation of registering the documentation required to present the lists at least 25 days prior to the Meeting

7. COMPENSATION COMMITTEE

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

In the Board Meeting held on 20th April 2009 the Board resolved to confirm the structure of the Compensation Committee for the 2009-2011 three-year period and up to approval of the Financial Statements referred to the last financial year, after verifying the non-executive and independence requirements in compliance with the principles established by law and by the Self-regulatory Code. The Compensation Committee comprises the following non-executive and independent Directors: Luigi Abete (Chairman), Luigi Cambri, Pierfrancesco Saviotti; and to attribute the Compensation Committee with the following duties, in accordance with Article 7 of the Code:

- a) submit proposals to the Board of Directors for the compensation of Managing Directors and the other directors that hold specific positions, in accordance with the principles recommended in the Code, and monitoring the decisions taken by the Board of Directors itself;
- b) annually assess the principles adopted for the compensation of key executives, while monitoring their application on the basis of the information provided by the Managing Directors; make general recommendations in this regard to the Board of Directors.

No Director attended the Compensation Committee Meetings in which the proposals to the Board of Directors were drawn up in relation to its own compensation, in compliance with Application Criterion 7.C.4 of the Code, albeit, without an express rule in this sense.

The Compensation Committee met once during 2009 on 12th May 2009 with a 100% overall attendance (the percentage attendance of each Committee Member in the Meetings held is indicated in the table in paragraph 4.2). The Committee resolved on the proposals to compensate the Directors assigned with special duties and the Meeting's duration corresponded to approximately one hour and thirty minutes.

The Compensation Committee met once during this financial year on 27th January 2010.

Minutes are prepared regularly for the Compensation Committee Meetings.

Other Meetings are not currently scheduled for this financial year.

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

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

8. DIRECTORS' COMPENSATION

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

With reference to Criterion 7.P.2 of the Code, it is hereby confirmed that all the compensations determined for the Board Members currently in office envisage a fixed compensation determined by the Meeting, with the sole exception of the Chairman and Managing Director Diego Della Valle, the Deputy Chairman and Managing Director Andrea Della Valle and the Managing Director Stefano Sincini (who also has the role as the Company's co-General Manager), for whom a significant part of the compensation is linked to achieving the individual targets established by the Board of Directors, and to take into account the position and role as Executive Directors and with powers of attorney.

No additional compensation incentive mechanisms for the remaining Executive Directors are in place at the approval date of this Report (it is hereby confirmed that there are no Directors conferred with strategic responsibilities).

It is hereby confirmed that the stock option incentive plan in favour of Directors, employees and consultants for the 2005/2009 four-year period, resolved by the Board of Directors on 11th May 2005, expired with the approval of the Financial Statements as at 31 December 2008.

In compliance with Application Criterion 7.C.2 of the Code, the compensation paid to non-executive Directors is related to the commitment requested from each Director, also taking into account their participation in Committees and is not linked to the Company's economic results; moreover, the non-executive Directors are not involved in stock option incentive plans.

* * *

There are no agreements in place between the Group and any Directors at the approval date of this Report, which envisages the payment of indemnities to Directors in the event of resignation, dismissal without just cause or termination of the employment relationship following a Public Purchase Offer.

9. INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE

The **Internal Control and Corporate Governance Committee** carried out the duties envisaged in the March 2006 edition of the Corporate Governance Code and granted by the "framework resolution" adopted on November 13th, 2006.

After verifying that its directors without executive authority and independent directors satisfied the pre-requisites for being considered such in accordance with both the law and Article 3 of the Code, the Board of Directors resolved at its April 20th, 2009 meeting to reconstitute the Internal Control and

Corporate Governance Committee. Its members are the following directors without executive authority, a majority of whom are independent: Maurizio Boscarato (Chairman), Luigi Cambri and Pierfrancesco Saviotti. The professional experience of the appointed directors ensures that the Committee disposes of adequate knowledge about accounting and financial matters. They were charged with providing advice and making proposals as follows, in accordance with the guidelines set out in the Code, except for indents d) and e) of Article 8.C.3:

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

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

To-date, it has not been deemed appropriate to confer on the Committee the duty to "*supervise the effectiveness of the accounting audit process*": the Board has reserved the right to adopt the appropriate resolutions with regard to this aspect also in the light of the recent provisions to implement Directive 2006/43/EC concerning statutory auditing.

The Internal Control and Corporate Governance Committee met 5 times during 2009 and 5 meetings are

scheduled for the current financial year (of which 2 have already taken place). In general, the Committee Meetings have an average duration of one hour.

The Meetings recorded the regular and diligent attendance of the Board Members (in fact, the overall percentage attendance was 93.3%, while the percentage attendance of each Member at the Meetings held is indicated in the Table illustrated in paragraph 4.2 above.

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

The Meetings were attended by the Chairman of the Board of Auditors (or by another Auditor duly appointed by the Chairman) and by the Executives in charge of the Internal Control function at the

Committee's invitation, in relation to the items on the Agenda, the Executive Director appointed to the internal control system functional operations and the Director in charge of drawing up the corporate accounting documents.

The Chairman of the Internal Control Committee illustrated the details to the Directors regarding the activities performed by the Committee with reference to the 2009 financial year, and in particular, the Chairman illustrated to the collective administrative body the Committee's assessments of the overall adequacy, effectiveness and efficiency status of the internal control system at the date of the Board Meeting to approve the half-yearly financial Report as at 30 June 2009, and at the date of the Board Meeting to approve the draft Financial Statements as at 31 December 2009.

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

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

10. INTERNAL CONTROL SYSTEM

As illustrated in last year's Report (available in the Corporate Governance section at the following website: www.todsgroup.com), the Board of Directors adopted its own guidelines for the internal control system (the "Guidelines"), also for the purpose of enhancing and optimising the internal control system both within the Company and within the Tod's Group in overall terms, with particular reference to the subsidiary companies identified as "having strategic importance", in accordance with Article I of the Code.

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

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

Introduction

It is hereby confirmed that the TOD'S Group management and control system relating to the risks concerning the accounts and financial information process forms an integral part of and is included in the framework of the broader Company and Group internal control system, in accordance with the instructions included in the Format distributed by Borsa Italiana; the following elements represent important features of the foregoing system: the Code of Ethics, the organisation and management Model, in accordance with Legislative Decree No. 231/01, the communication Procedures, so-called "internal

dealing” and the procedures to identify the persons who have access to privileged information, the Principles and procedures to execute significant transactions and transactions with related parties, the powers and proxies System, the corporate Organisation Chart, the Procedure to disclose information to the Market, the Risk Analysis process adopted, the Accounting and Administrative control System.

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

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

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

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

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

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

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

It is important consider for this purpose that the Group member companies are managed using the same procedures, and are characterised by the same processes. In this sense, the work to analyse and to verify the processes and the internal control system adopted to safeguard the foregoing has a broader validity compared to only the companies included in the scope, in view of the consistency of the accounting and administrative control processes and procedures. However, it is important to add that in the case of the companies identified as being “non-significant” the assessment of the internal control system that supervises the preparation of the Financial Statements is organised in a simpler form based on the

identification and assessment of pervasive type controls organised and put in place centrally at a Group or Company level, and defined as “Company Level Controls”.

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

b) Role and functions involved.

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

While performing his activities, the Executive Director in charge:

- interacts with the Internal Audit function and the Internal Control officers in charge that perform independent checks concerning the control system's operations and support the Executive Director in charge in the System monitoring activities;
- is supported by the Function Managers involved that assure the completeness and reliability of the information flows submitted to the Executive Director in charge, with reference to their own area of jurisdiction, for the purposes of preparing the accounting information;
- coordinates the activities performed by the Administrative Managers of the significant subsidiary companies;
- establishes a mutual exchange of information with the Internal Control Committee and with the Board of Directors, reporting on the activities performed and the adequacy of the Internal Control System, with particular reference to the risks related to financial information.

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

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

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

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

The Board assessed the adequacy of the Issuer's organisational, administrative and general accounting structure and the respective structure of the subsidiary companies of strategic importance, at the date of the Meetings to approve the half-yearly financial Report as at 30 June 2009 and the draft Financial Statements as at 31 December 2009, thereby executing Application Criterion 8.C.1, sub-section *c*) of the Code; in particular, the assessment was adopted on the basis of the report prepared by the Executive Director appointed to the internal control system function and with the Internal Control Committee's support that, in the framework of its own Meetings – which were also attended by the Directors in charge of performing the internal control activities – (as described later), was able to verify the actual functioning of both the Issuer's and the Group's internal control system on an on-going basis, with particular reference to the companies of strategic importance.

Lastly, in the Meeting held on 22nd March 2010, the Board of Directors, with the support of the Internal Control Committee, expressed a positive assessment concerning the status of the internal control system, deeming the system to be adequate in overall terms.

10.1 Executive Director appointed to the internal control system

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

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

The Executive Director appointed to manage the internal control system identified the principal corporate risks (strategic, operational, financial and compliance) during 2009, taking into account the characteristics of the activities engaged in by the Company and by its subsidiaries, and submitted the details to be examined by the Board, as well as by the Internal Control Committee, in compliance with Application Criterion 8.C.5, sub-section *a*) of the Code; lastly, at the date of the Meeting to approve the draft Financial Statements as at 31 December 2009, the Executive Director illustrated to the Board of Directors his assessment concerning the identification of corporate risks (so-called risk assessment), submitting to the Board the relevant risk management policy.

Mr. Sincini, Director, executed the Guidelines in the 2009 financial year, verifying constantly the overall adequacy, effectiveness and efficiency of the internal control system, and adapting the system concerned

to the dynamics of the operating conditions and the legislative and regulatory scenario, in compliance with Application Criterion 8.C.5, sub-section *b*) of the Code; lastly, the Board was also given information during the Board Meeting held on 22nd March 2010 concerning the adequacy of the internal control system in relation to the applicable provisions, also referred to the regulatory provisions.

It is hereby confirmed that the Director Mr. Sincini did not propose to the Board the appointment, revocation or compensation of one or more Executive Directors in charge of the Internal Control function during the 2009 financial year (there were no changes in this regard compared to the previous financial year).

10.2 Directors in charge Internal Control

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

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

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

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

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

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

- a) illustrate to the Internal Control Committee – even through a single document – their proposed annual works schedule, in a timely manner with a view to enabling the said Committee to discharge its duties, and more specifically, to formulate recommendations and suggestions in such regard;
- b) assist the Director in charge of internal control system in designing, managing and overseeing the internal control system and identifying risk factors;
- c) schedule and carry out, in accordance with the annual work plan, direct and specific checks on the areas of competence of the 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 upon request.

h) disclose their findings in specific Audit Reports to the Director in charge of Internal Control, the Internal Control Committee – and the Statutory Auditors - and the person in charge of 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 financial reports, draw up – even in a single document – a half-yearly summary of the main events that occurred during the six months in question and throughout the year. The report compiled for the Board meeting called for the approval of the draft financial statements, must also contain an update of the business risks identified during the year.

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

- the Executive Director in charge of Internal Control and any and all organs delegated by Group companies subjected to checks, inspections or audits;

- the Internal Control Committee, the meetings of which the said staff members shall attend at the invitation of the said Committee.

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

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

The Internal Control Officers performed the checks on the areas within their jurisdiction during 2009 in compliance with the requirements envisaged in the annual work Plan referred to the 2009 financial year, as prepared by them and presented to the Internal Control Committee on 23rd January 2009.

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

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

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

On 23rd January 2009 the Internal Control Committee examined the annual work plan referred to the 2009 financial year presented by the Internal Control Officers.

The Internal Control Committee carefully examined the activities performed by the Internal Control Officers during 2009, each related to the area within its own jurisdiction; the assessments reported by the Officers in the corresponding Audit Reports did not highlight any particular critical situation or anomaly in the various corporate areas involved in the monitoring activities, identifying due compliance by all the persons involved, with the internal control rules and procedures adopted by the Company, as well as their reasonable compliance with the established objectives. Also in view of the Audit Reports prepared by the Officers, the Internal Control Committee has expressed repeatedly, most recently on 22nd March 2010, its positive and favourable opinion concerning the accuracy and effective operation of the Internal Control System adopted by the Group.

It is hereby confirmed that on 26th January 2010, during this financial year, the Internal Control Committee examined the plan of activities scheduled by the Officers and referred to the 2010 financial year.

In accordance with Application Criteria 8.C.7 and 8.C.8 of the Code, it is hereby confirmed that the Internal Control Officers also perform the internal audit function, which is not entrusted to parties outside the Company, not even concerning operational segments.

10.3 Compliance Programme pursuant to Legislative Decree 231/2001

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

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

Offences which when perpetrated give rise to the entity's administrative liability and which the organisational Model intends to prevent correspond to the offences envisaged in Legislative Decree No. 231/2001.

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

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

The Model's provisions are binding on the Directors, and on everyone who has been conferred with Company representative, administration and management functions, also de facto functions, on employees and on external consultants subject to the Company's corporate management or supervision. A special Supervisory Body that has complete Economic autonomy oversees the functional operation and compliance with the Model. The Supervisory Body was appointed by the Board of Directors in the Meeting held on 20th April 2009, and comprises the following persons: Board Member Luigi Cambri, the Chairman of the Board of Auditors, Enrico Colombo and the Internal Control Officer, Mr. Gianluca Tortorelli.

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

It is hereby confirmed that the subsidiary companies having strategic importance, namely, Tod's France Sas, Tod's Japan KK, Deva Inc. and Tod's Hong Kong Ltd., subject to French, Japanese, United States and Chinese laws, respectively, do not have an organisational Model, in accordance with Italian legislation.

10.4 Independent auditor

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

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

10.5. Executive in Charge of Preparing Company Accounts

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

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

The Board of Directors has granted Mr. Ubaldi ample authority as necessary to perform his duties under the law and the Articles of Association, without any specific spending limits other than what is reasonably necessary to discharge his duties. Furthermore, Mr. Ubaldi was given a mandate so that, in collaboration with the Managing Director, Dr. Sincini, he also give instructions to the subsidiaries belonging to the Tod's S.p.A. Group, for adopting all those measures, administrative and accounting procedures, all other acts and measures necessary for proper preparation of the consolidated financial statements, and all measures communicated by Mr. Ubaldi pursuant to Legislative Decree 58/98 (TUF) as amended by Law 262/05 and by Legislative Decree 303/06 that can assure the maximum reliability of information flows addressed to the Executive in Charge of Preparing Company Accounts in connection with preparation of corporate accounting documents.

11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES.

As previously mentioned, the November 13th, 2006 meeting of the Board of Directors, after consulting the Internal Control Committee, approved a document entitled "Guidelines for Major Transactions and Transactions with Related Parties of the Tod's S.p.a. Group" ("Guidelines"), which grant the Board of Directors the responsibility of supervising material transactions concluded with third parties or related parties, either directly or through Group subsidiaries (the complete version of the "Guidelines" are available on the web site www.todsgroup.com, in the "Corporate Governance" section), and establish the procedures for its approval and execution.

The Board of Directors has always been adequately and promptly informed about the **material transactions** executed during the financial year with **related parties**, undertaking to have them be approved upon verification of their substantial and procedural fairness and that the Company, which has traditionally been sensitive to the issues of transparency and fairness, including procedural fairness, in accordance with the best practises of corporate governance, decided to comply from 2H 2008 with certain of the principles set out in the Consultation Document published by Consob on April 9th, 2008 in regard to transactions with related parties.

It is hereby confirmed that after distributing a second regulation proposal on 3rd August 2009 concerning transactions with related parties, Consob adopted the new Regulation concerning transactions with related parties based on the recent resolution No. 17221 made on 12th March 2010, currently being studied by the Board; the Company will comply promptly with the new regulations, within the periods of time envisaged by the transition provisions of Consob resolution No. 17221 dated 12th March 2010, in harmony with a tradition of complying with the best practices of companies listed on the Stock Exchange.

It is hereby confirmed that the Board of Directors did not deem it necessary to adopt specific operating solutions to facilitate the identification and adequate management of situations in which a Director reflects its own interests or third-party interests.

12. APPOINTMENT OF STATUTORY AUDITORS

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

The procedures for presentation of candidate and voting lists are regulated by the Articles of Association.

Article 27 of the Articles of Association aims to ensure that the Chairman of the Board of Statutory Auditors is designated by the minority, from the list that received the second highest number of votes.

In particular, as many Shareholders which own a shareholding at least equal to the shareholding as established by Consob to elect the administration and control bodies – that corresponds to 2% (Consob resolution No. 17148 dated 27th January 2010) at the approval date of this Report – may present a list that must be registered at least fifteen days before the date established for the Meeting in first call. Each list is to be complete with the information requested, in accordance with the provisions of law and the applicable regulations; a list where the foregoing statutory requirements have not been observed is deemed not to have been presented.

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

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

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

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

13. AUDITORS

The composition of the Board of Auditors in office at 31 December 2009 is indicated below, in table form, with the clarification that the Auditors were appointed, based on the proposal by the majority Shareholder DI VI Finanziaria Sapa di Diego Della Valle & C., from the list presented by the majority Shareholder concerned, with a resolution passed by the Shareholders' Meeting held on 27th April 2007, duly adopted with a percentage of favourable votes corresponding to 99.98% in relation to the voting capital. The Board of Auditors will fall from office with the approval of the Financial Statements as at 31 December 2009.

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

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

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

It is also confirmed that the Auditors' independence is deemed to be already assured by compliance with the applicable legislation and the Articles of Association, in relation to Criterion 10.C.2 of the Code, and that therefore the Company did not deem it necessary also to apply to the Auditors the independence criteria set out in Article 3 of the Self-regulatory Code.

For this reason, the criteria established by law and by the Articles of Association were considered for the purposes of assessing the compliance with the independence requirements during the term in office.

Enrico Colombo was born in Milan (MI) on April 10th, 1959. He received his degree in economics and business from the “L. Bocconi” University in Milan. A certified public accountant, he has been entered since 1986 in the Milan Register of Professional Accounts. He is partner at an accounting firm in Milan and is an expert in tax law.

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

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

An Auditor who has a vested interest in a given Issuer transaction, on its own behalf or on behalf of third parties, shall inform the other Auditors and the Chairman of the Board of Directors promptly and fully concerning the nature, terms, origin and level of its own interest, in compliance with Application Criterion I0.C.4 of the Code.

TABLE FORM 3: STATUTORY AUDITOR'S MEMBERSHIP

STATUTORY AUDITORS							
Position	Name	Term (from)	Term (to)	List (M/m)*	Independence pursuant to Code	** (%)	Other positions (number) ***
Chairman	Enrico Colombo	27/04/2007	31/12/2009	M	X	100	1
Statutory Auditor	Fabrizio Redaelli	27/04/2007	31/12/2009	M	X	100	2
Statutory Auditor	Gian Mario Perugini	27/04/2007	31/12/2009	M	X	87,5	0
Alternate Auditor	Massimo Foschi	27/04/2007	31/12/2009	M	X		
Alternate Auditor	Gilfredo Gaetani	27/04/2007	31/12/2009	M	X		
-----AUDITORS LEAVING DURING THE FINANCIAL YEAR -----							
N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Shareholding required to present the lists of candidates to appoint auditors: 2% (Consob resolution n. 17148 dated 27/01/2010)							
Meeting held during the financial year (nr.): 1							

NOTE

* (M) majority list (m) minority list

** Rate of attendance of each auditor to the Auditors's meetings

*** Number of significative offices held by each auditor pursuant to art. 148 bis TUF.

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

Lastly, it is hereby confirmed that the Board of Auditors performed its activities, also coordinating with the Internal Control Officers who, inter alia, exercise the internal audit function, and with the Internal Control Committee.

14. SHAREHOLDER RELATIONS

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

In reference to the provision of Article 11 of the Corporate Governance Code issued (at the time in the November 1999 version) by the Corporate Governance Committee of listed companies, the “framework resolution” approved by the Company Board of Directors at its October 13th, 2000 meeting designated director Emilio Macellari as head of relations with institutional investors and other Shareholders, without prejudice to the fact that documents and information regarding the Company must be disclosed in accordance with internal procedures applicable to these relations.

The Company provided itself with a corporate structure in charge to manage relations with the Shareholders. The following contact numbers and e-mail address should be used to reach the Investor Relations office:

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

15. SHAREHOLDERS' MEETINGS

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

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

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

It is hereby confirmed that at the approval date of this Report, the Meeting may be attended by Shareholders for which the Company has received the communication issued by the authorised intermediary, as required by law, attesting the legitimate status to participate and to exercise voting rights, in accordance with Article 12 of the Articles of Association; the foregoing communication is to be received within a period of two non-working days prior to the date of the single Meeting, and that the participants shall have a suitable certificate at the date of the Meeting.

It is also confirmed that the Articles of Association do not envisage that the shares for which the communication issued by the above-mentioned intermediary is required shall remain restricted until the Meeting has been held.

Every Shareholder entitled to participate may be represented in the Meeting, in accordance with and within the limits established by law. Moreover, in accordance with Article 11 of the Articles of Association and Application Criterion 11.C.3 of the Code, the Meeting may also be held as an audio/video-conference. If foreseen in the corresponding Notice of Call, the details of the places which are linked by audio/video means where the participants can meet shall be provided under the Company's responsibility. In any case the following conditions must be met:

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

The Meeting shall be deemed to be held in the place where the Chairman and the person preparing the Minutes will be present.

As already stated, on 5th August 2000 the ordinary Shareholders' Meeting approved a Regulatory text that disciplines the orderly and functional proceedings of the Company's ordinary and extraordinary Meeting ("Meeting Regulations"), published in the Corporate Governance section on the following Internet website: www.todsgroup.com.

All persons who participate in the Meeting only have the right to take the floor concerning the topics under discussion, a written question is to be submitted to the Chairman containing the details of the

topic to which the question refers, after the Chairman has read out the items on the Agenda and up to the time the Chairman has declared closed the discussion on the topic to which the question refers, in compliance with Article 9 of the Meeting Regulations and Application Criterion II.C.5 of the Code. In general, the Chairman gives the floor according to the chronological order in which the questions were presented; if two or more questions are presented simultaneously, the Chairman gives the floor according to the alphabetical order of the applicants' surnames. The Chairman can authorise the presentation of requests to intervene by a show of hand; in this case the Chairman gives the floor according to the alphabetical order of the applicants' surnames.

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

Lastly, with reference to Application Criterion II.C.6 of the Code, it is important to mention that the changes in market capitalisation of the Issuer's shares during the 2009 financial year were in line with the market trend and no significant changes occurred in the structure of the Issuer's body of shareholders.

16. CHANGES SINCE THE END OF THE REPORTING PERIOD

There were no changes in the Company governance structure between the closing date of the 2009 financial year and the approval date of this Report.

Milan, March 22nd, 2010

The Chairman of the Board of Directors
Diego Della Valle

APPENDIX A TO THE ANNUAL CORPORATE GOVERNANCE REPORT FOR 2009

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

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

	Director	Goral Investment Holding BV
	Director	Dorint Holding SA
Andrea Della Valle	Director	ACF Fiorentina S.p.A.
	Sole Director	ADV Partecipazioni S.r.l.
Maurizio Boscarato	Director	Marcolin S.p.A. -
Emanuele Della Valle	Chairman	Formapura S.r.l.
	Director	Cinecittà Entertainment S.p.A.
Vito Varvaro	Director	Marcolin S.p.A.
	Director	Piaggio S.p.A.