

**Guidelines for the Internal Control and Risk Management System of the  
Tod's S.p.A. Group**

*SUMMARY: 1. The Internal Control and Risk Management System of the Tod's Group: general guidelines and identification criteria for the principal risks of the business. – 2. Individuals and bodies responsible for control processes. – 3. Board of Directors. – 4. Control and Risk Committee. – 5. Directors Responsible for the Internal Control and Risk Management System. – 6. Head of the Internal Audit function. – 7. Corporate Financial Reporting Manager. – 8. Board of Statutory Auditors. – 9. Supervisory Body under Legislative Decree No. 231/2001 – 10. Employees. – 11. Strategically important companies in the Tod's S.p.A. Group – 12. Whistleblowing system.*

***1. The Internal Control and Risk Management System of the Tod's S.p.A. Group: general guidelines and identification criteria for the principal risks of the business.***

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

- a)* effectiveness and efficiency in the company's processes (management, production, distribution, etc.);
- b)* soundness, accuracy, reliability of the information provided to corporate bodies and the market, including financial reporting;
- c)* compliance with laws, regulations, as well as of the corporate By-Laws, and corporate policies and procedures;
- d)* safeguarding the company's assets and protecting, as far as possible, against loss.

**1.2** These controls involve, with differing roles and within their respective areas of responsibility:

- a)* the Board of Directors, which sets policy and assesses the adequacy of the Internal Control and Risk Management System, and appoints, as an integral part of the Board of Directors:

(i) one or more Directors delegated with responsibility for establishing and maintaining an effective Internal Control and Risk Management System (hereinafter, the “Directors Responsible for the Internal Control and Risk Management System”), and

(ii) a Control and Risk Committee, delegated with responsibility for providing support, including adequate investigation, for the findings and decisions of the Board of Directors relating to the Internal Control and Risk Management System, and those related to approval of the periodic financial reports;

b) the Head of the Internal Audit function, delegated with responsibility for ensuring that the Internal Control and Risk Management System is functional and adequate;

c) the other corporate roles and functions with specific duties in relation to Internal Control and Risk Management, defined in relation to the dimensions, complexity and risk profile of the business (the Compliance Body, the Corporate Financial Reporting Manager and all employees of Tod’s S.p.A.);

d) the Board of Statutory Auditors, which monitors the effectiveness of the Internal Control and Risk Management System;

e) the Directors and Statutory Auditors of the companies controlled by the Issuer; all of them are to observe the guidance and principles contained in the ‘Guidelines for the Internal Control and Risk Management System’ both for the Issuer and for the Tod’s Group (hereinafter referred to as the “Guidelines”).

The Issuer has implemented procedures for co-ordination amongst the persons and entities listed hereinabove in view of achieving maximum efficiency of the Internal Control and Risk Management System and reducing duplication of activity.

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

- contributing to operation of the business consistently with the business objectives defined by the Board of Directors, by facilitating the adoption of informed decisions;
- ensuring the necessary separation between operational and control functions and, therefore, be structured so as to avoid or minimise conflicts of interest in the allocation of responsibilities;
- facilitating the identification, measurement, management and adequate monitoring of risks faced by the Issuer and the Tod's Group, paying particular attention to, among other things, those companies which are strategically important;
- establishing controls at all operational levels and clearly define tasks and responsibilities, in particular, in relation to oversight and intervention for any irregularities encountered;
- ensuring reliable information systems and appropriate reporting processes at all levels having a control function;
- guaranteeing that any anomalies and/or violations revealed – including through the use of the whistleblowing system on the part of the personnel - are promptly made known at the appropriate levels within the company;
- enabling the recording of all business events and, in particular, all transactions with the adequate level of detail and ensuring its allocation to the correct period.

**1.4** The Internal Control and Risk Management System is to be subjected to periodic checks and reviews and should take into account changes in the company's activities and operating environment, and existing best practices at the national and international levels.

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

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

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

**1.8** An adequate Internal Control and Risk Management System assumes the presence of a body of corporate rules, directives, methodologies and procedures targeted at facilitating the most effective and efficient pursuing of the corporate purpose in all the operating areas.

**1.9** An integral and essential part of the Internal Control and Risk Management System of the Tod's Group is composed of the existing risks and internal control management system, also in relation to the financial information process (management and accounting policies and procedures shall apply to the preparation of individual and consolidated financial statements, and other reports and notices of an economic, equity and/or financial nature, which are to be prepared by the Executive Responsible for Financial Reporting in accordance with legal and regulatory requirements, as well as for the monitoring of their actual application).

**1.10** An appropriate Internal Control and Risk Management System provides for the use by the personnel of a whistleblowing system to report any possible irregularity or violation of the applicable regulations and internal procedures. This is in line with the best practices applied at a national and international level, which ensure a specific and confidential information

reporting channel, as well as the protection of the identity of the whistleblower.

## ***2. Individuals and bodies responsible for control processes.***

**2.1** The principal corporate bodies responsible for the processes of control, monitoring and compliance within the Issuer and the Tod's Group (according to their respective areas of responsibility, specified in this document in compliance with the requirements of current laws and regulations, and with the recommendations set out in the Code on Corporate Governance for Listed Companies – July 2015 version) are the following:

- a) Board of Directors;
- b) Directors Responsible for the Internal Control and Risk Management System;
- c) Control and Risk Committee;
- d) Head of the Internal Audit function;
- e) Executive Responsible for Financial Reporting;
- f) Board of Statutory Auditors;
- g) The Company's Supervisory Body, as well as the Supervisory Bodies of the subsidiaries, if set up.

## ***3. Board of Directors***

**3.1** The Board of Directors sets policy and assesses the adequacy of the Internal Control and Risk Management System and, therefore, it:

- a) establishes and updates the principles and guidance contained in these 'Guidelines for the Internal Control and Risk Management System', after obtaining the opinion of the Control and Risk Committee, set up (within it) and functioning in compliance with the principles laid down by the Self-discipline Code for Listed Companies, so that the principal risks faced by the Issuer and its subsidiaries are correctly identified, and adequately measured, managed and monitored, while also

determining the degree of compatibility of these risks with business management that is consistent with the identified strategic objectives. These assessments include all such risks as may be relevant to the sustainability of the Issuer's business in the medium- to long-term;

*b)* chooses from among its own members (i) one or more Directors delegated with responsibility for establishing and maintaining an effective Internal Control and Risk Management System (hereinafter, the "Directors in charge of the Internal Control and Risk Management System"), and (ii) the Control and Risk Committee delegated with responsibility for providing support, including adequate investigation, for the findings and decisions of the Board of Directors relating to the Internal Control and Risk Management System, and those related to approval of the periodic financial reports;

*c)* periodically, and normally at the time of (or before) the Board of Directors' meeting held to approve the annual financial report, approves the strategies and policies for managing the principal risks of the Issuer and the Tod's S.p.A. Group (with particular attention to those companies having strategic importance) on the basis of the analysis of the Directors Responsible for the Internal Control and Risk Management System referred to in paragraph 5.1 c), and after obtaining the opinion of the Control and Risk Committee, which informs the Board on the status of the Internal Control and Risk Management System also in relation to factors representing risks to the Company and Group; the Board of Directors' assessments include all such risks as may be relevant to the sustainability of the Issuer's business in the medium- to long-term;

*d)* periodically, and normally at the time of (or before) the Board of Directors' meetings held to approve the annual financial report and the half-yearly financial report, checks – after obtaining the opinion of the Control and Risk Committee – the adequacy of the Internal Control and Risk Management System in regard to the characteristics of the business and its risk profile, as well as its effectiveness, and ensures that:

- the tasks and responsibilities are allocated in a clear and appropriate manner;
- the control functions, including therein the Head of the Internal Audit function, the Executive Responsible for Financial Reporting and the Supervisory Body, are provided with adequate resources to carry out their duties and have an appropriate level of independence within the organisation. The Head of the Internal Audit function is in any event to be guaranteed independence from each head of the operational areas which he/she is responsible for monitoring;
- e)* normally at the time of the Board of Directors' meeting held to approve the half-year financial report, or at a Board meeting to be held in the fourth quarter of the financial year, determines those companies in the Tod's Group which are considered strategically important;
- f)* approves at least once annually, and normally at (or before) the Board of Directors meeting held to approve the annual financial report, after obtaining the opinion of the Control and Risk Committee, the audit plan prepared by the Head of the Internal Audit function, after consulting with the Board of Statutory Auditors and the Directors Responsible for the Internal Control and Risk Management System;
- g)* describes – after obtaining the opinion of the Control and Risk Committee – the main elements of the Internal Control and Risk Management System and the methods of coordination between the persons concerned, in the annual report on corporate governance, giving its evaluation of the adequacy of that system; the illustration of the main characteristics of the risks management and internal control system existing in relation to the financial information process is comprised within the context of this description;
- h)* assesses, after obtaining the opinion of the Control and Risk Committee and consulting with the Board of Statutory Auditors, the results stated by the independent auditor in any letter of suggestions and in the report on fundamental issues raised during statutory audit of the accounts;

*i)* on motion by the Directors Responsible for the Internal Control and Risk Management System, after obtaining the favourable opinion of the Control and Risk Committee, and consulting with the Board of Statutory Auditors:

- appoints and dismisses the Head of the Internal Audit function;
- assures that he disposes of adequate resources to discharge his duties;
- defines his remuneration consistently with corporate policy;

*l)* appoints and removes the members of the Issuer's Supervisory Body, set up and functioning pursuant to Legislative Decree no. 231/2001;

*m)* adopts the Management and Control Organizational Model drawn up pursuant to Legislative Decree no. 231/2001 and approves all its amendments in order to bring it in line with the provisions of law in force from time to time.

*n)* appoints a Director Responsible for the Whistleblowing System, who is usually chosen from among the Directors Responsible for the Internal Control and Risk Management System.

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

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

#### **4. Control and Risk Committee**

**4.1** The Control and Risk Committee is composed of non-executive Directors, the majority of whom are independent, and whose Chairman is chosen from amongst its independent members. At least one of its members is to have the appropriate experience in accounting and finance or risk management, which is to be assessed by the Board of Directors at the time of his/her appointment.

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



*a)* issues opinions to the Board of Directors in establishing and updating the principles and guidance contained in the 'Guidelines';

*b)* issues opinions to the Board of Directors in regard to evaluating the adequacy of the Internal Control and Risk Management System in regard to the characteristics of the business and its risk profile, as well as its effectiveness, for the purpose of ensuring that the principal risks of the business are correctly identified and adequately managed. In relation to these activities, it reports to the Board of Directors:

- at least once every six months, normally at the time of (or before) the Board of Directors' meetings held to approve the annual financial report and the half-yearly financial report, on its activities, and on the adequacy and effectiveness of the Internal Control and Risk Management System;

- normally at the time of (or before) the Board of Directors' meeting held to approve the annual financial report, on the status of the Internal Control and Risk Management System, including in relation to factors representing risks to the Company and Group;

*c)* issues opinions to the Board of Directors upon approval of the audit plan prepared by the Head of the Internal Audit function;

*d)* issues opinions to the Board of Directors in regard to the description provided in the annual report on corporate governance and ownership structures, on the principal characteristics of the Internal Control and Risk Management System;

*e)* issues opinions to the Board of Directors on assessment of the results reported by the independent auditor in any letter of suggestions and in the report on fundamental issues raised during statutory audit of the accounts;

*f)* issues opinions to the Board of Directors on appointment and dismissal of the Head of the Internal Audit function, definition of his remuneration consistently with corporate policy, and verification that he disposes of adequate resources for discharging his duties;

*g)* supports, through an appropriate gathering-information activity, the Board of Directors' valuations and decisions relating to the management of any risk arising from adverse events which has come to the knowledge of the Board of Directors;

*h)* assesses, together with the Corporate Financial Reporting Manager, and after consulting with the independent auditor and the Board of Statutory Auditors, fair use of the accounting standards and their uniform application during preparation of the consolidated financial statements;

*h)* as necessary, expresses a view on specific aspects related to the identification of principal business risks;

*i)* examines, inter alia, the periodic reports and the particularly important reports prepared by the internal audit function;

*l)* monitors the autonomy, adequacy, effectiveness and efficiency of the internal audit function;

*m)* may ask the internal audit function to perform audits of specific operating areas, while simultaneously giving notice thereof to the Chairman of the Board of Statutory Auditors;

*n)* may ask the Head of the Internal Audit function, at any time, to report on his/her activities and on the status of the Internal Control and Risk Management System; the Control and Risk Committee may also ask the Head of the Internal Audit function, at any time, to provide copies of documents kept by the latter in accordance with these Guidelines;

*o)* performs the duties which, in compliance with the regulatory legislation in force from time to time, are attributed to it under the approval procedure for transactions with related parties;

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

**4.2** At a minimum, the Chairman of the Board of Statutory Auditors, or other Auditor designated by him/her, will take part in the work of the Control and Risk Committee; however, the other Statutory Auditors may also participate.

## ***5. Directors Responsible for the Internal Control and Risk Management System***

**5.1** The Director – or, if the Board of Directors has assigned this duty to two or more members – the Directors Responsible for the Internal Control and Risk Management System, selected by the Board of Directors from among the executive directors, by co-ordinating with each other:

*a)* are responsible for identifying the principal business risks, taking into account the characteristics of the activities of the Issuer and its subsidiaries (with particular attention to those companies which are strategically important), and for submitting them to the review of the Board of Directors, at least once per year, and normally at the time of (or before) the Board of Directors' meeting held to approve the annual financial report;

*b)* implement these Guidelines, handling the design, realisation and management of the Internal Control and Risk Management System and constantly monitoring its adequacy and effectiveness. In particular:

- identify risk factors faced by the Issuer or the other companies in the Tod's Group (with particular attention to those companies which are strategically important) – notwithstanding the fact that the primary responsibility remains with the chief executives of the individual companies – also having regard for changes to the internal and external conditions in which they operate, as well as their operating performance, variations against forecasts, and changes in the legislative and regulatory environment, including all such risks as may be relevant to the sustainability of the company's business in the medium- to long-term;
- define the duties of the operating units dedicated to control functions, guaranteeing that the various activities are managed by qualified personnel who have the necessary experience and specific know-how. In that respect, areas of potential conflict of interest are to be identified and minimised;
- establish effective channels of communication to ensure that all personnel are aware of the policies and procedures relating to their function and responsibilities;

- establish information flows to ensure full awareness and manageability of business events; inter alia, they shall assure that the Board of Directors identifies the Group's significant transactions – entered into by the Issuer or by its subsidiaries – which must be submitted to the prior review of the administrative body of the Group Head Company;

*c)* at least once per year, normally at the time of (or before) the Board of Directors' meeting held to approve the annual financial report – and at any other time considered necessary or appropriate depending on the specific circumstance (i.e., the emergence of a significant new risk or a significant increase in the probability of a risk materialising) - present the business risks identified (including all such risks as may be relevant to the sustainability of the company's business in the medium- to long-term) and the combined control processes (designed and implemented to prevent, minimise, and effectively and efficiently manage such risks) for the review and assessment of the Board of Directors, in order to allow the Board to make informed and knowledgeable decisions in relation to strategies and policies for managing the principal risks of the Issuer and Tod's Group (with particular attention to those companies which are strategically important);

*d)* propose the appointment, dismissal and compensation of the Head of the Internal Audit function to the Board of Directors (duly informing the Control and Risk Committee), ensure their independence and operative autonomy from each head of the operational areas assuring that they dispose of adequate resources to effectively carry out the duties assigned to them.

*e)* submit the annual audit plan prepared by the Head of the Internal Audit Function to the Board of Directors after obtaining the opinion of the Control and Risk Committee;

*f)* supervise adaptation of the Internal Control and Risk Management System to the dynamics of operating conditions and legislative and regulatory obligations;

*g)* may ask the Internal Audit function to conduct audits of specific operating areas and compliance with internal rules and procedures in the performance of business

operations, simultaneously notifying the Chairman of the Control and Risk Committee and the Chairman of the Board of Statutory Auditors, and, as appropriate in connection with the events in question, the Chairman of the Board of Directors;

*h)* promptly report to the Control and Risk Committee (or the Board of Directors) in regard to problems and criticalities that arise during performance of their activity or about which they have been informed, so that the Committee (or Board of Directors) may take appropriate measures.

***6. Head of the Internal Audit function.***

**6.1** The Internal Audit function plays a key role in governance of the control system, and must be staffed with the appropriate personnel, both in qualitative and quantitative terms.

**6.2** The Head of the Internal Audit function and the other auditors extend to all companies in Tod's Group (with particular attention to those companies considered by the Board of Directors as strategically important) and they have access to all their areas of activity and the related documentation. The Head of the Internal Audit function has direct access to all information as necessary for discharging his duties.

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

**6.3** The Head of the Internal Audit function is not responsible for any operating area, reports functionally to the Board of Directors and the Control and Risk Committee, reports hierarchically to the Directors Responsible for the Internal Control and Risk Management System, and guarantees that the Board of Directors is provided with information as required.

**6.4** The Head of the Internal Audit function is responsible for, amongst other things, verifying the suitability of internal procedures to ensure the adequate

containment of risks of the Issuer and the Tod's Group, and assisting the Group in identifying and evaluating major exposure to risk.

The Head of the Internal Audit function carries out these tasks by undertaking sample audits on the processes being reviewed.

**6.5** The Head of the Internal Audit function shall:

*a)* prepare the annual audit plan based on a structure process of analysis and prioritisation of key risks (“Audit Plan”) and illustrates it to the Directors Responsible for the Internal Control and Risk Management System, to the Control and Risk Committee, to the Board of Statutory Auditors and the Board of Directors, allowing adequate time for them to fulfil their role and, in particular, to incorporate any suggestions which they wish to make;

*b)* assist the Directors Responsible for the Internal Control and Risk Management System in the management of planning, management and monitoring of the Internal Control and Risk Management System and in the identification of the various risk factors, including all such risks as may be relevant to the sustainability of the company’s business in the medium- to long-term;

*c)* plan and implement, consistent with the annual work plan, targeted audit activities which are specific to the Issuer and all the other companies of the Group (with particular attention to those companies which are strategically important) to rectify any lacks in the Internal Control and Risk Management System in relation to the various areas of risk;

*d)* verify, both continuously and in relation to specific needs and in compliance with international standards, the functionality and adequacy of the Internal Control and Risk Management System;

*e)* verify the reliability of information systems in accordance with the audit plan, including the accounting systems;

*f)* verify that the rules and procedures for internal control processes are complied with and that all individuals/entities involved operate in accordance with the predetermined objectives. In particular, he/she:

- checks the reliability of information flows, including the automated data processing systems and management and accounting reporting systems;
  - verifies, within the scope of the work plan, that the procedures adopted by the Issuer and the Group specifically ensure compliance with current laws and regulations;
  - g)* investigate, in addition, the existence of specific aspects, where he/she deems it appropriate or upon the request of the Board of Directors, the Control and Risk Committee, the Directors Responsible for the Internal Control and Risk Management System or the Board of Statutory Auditors;
  - h)* verify, using the means considered most appropriate, that irregularities revealed in the internal control process have been removed;
  - i)* maintain orderly documentation in relation to the activities carried out. This documentation is to be available to the individuals and entities responsible for the control processes, indicated in paragraph 2, upon request;
  - l)* prepares periodic reports containing adequate information about his/her own activity, the ways in which risks are managed, and compliance with the plans defined for containing them. The periodic reports contain an assessment of the adequacy of the Internal Control and Risk Management System;
- In addition, on the basis of the audit results and the analysis of business risks, he/she shall detail any failings or weaknesses in the Internal Control and Risk Management System and propose action steps which may be required. The failings or weaknesses identified and action steps proposed are to be included in the relevant Internal Audit Reports;
- m)* promptly prepares reports on particularly important events, if required;
  - n)* sends the reports indicated at sub-indent 1) and m) to the Directors Responsible for the Internal Control and Risk Management System, the Chairman of the Board of Statutory Auditors, the Control and Risk Committee and, if appropriate in relation to the events examined, the Chairman of the Board of Directors, as well as the Compliance Body; when the audit activities target Group companies, the

reports are also sent to the appropriate corporate bodies of the affected companies.

The Control and Risk Committee also ensures that the reports are sent to other members of the Board of Directors in relation to the matters listed on the meeting agenda; the Board of Statutory Auditors reviews these documents during meetings of the Control and Risk Committee;

*o)* at least twice a year (and allowing adequate time for the Control and Risk Committee and the Board of Directors as well as the Directors Responsible for the Internal Control and Risk Management System, to fulfil their respective responsibilities), at the time of (or before) the Board of Directors' meetings to approve the annual financial report and the half-yearly financial report, prepare a report providing a half-yearly summary of the principal issues arising during the period and/or the year. The annual report prepared for the meeting to approve the annual financial report is also to contain an update on business risks subject to monitoring emerging during the year;

*p)* where critical issues requiring urgent action exist, he/she shall immediately inform the Directors Responsible for the Internal Control and Risk Management System and the corporate bodies responsible, in addition to the Chairmen of the Control and Risk Committee, of the Board of Statutory Auditors, and, if appropriate, of the Board of Directors, updating them on the results of actions taken;

*q)* be responsible for the Whistleblowing Function, assisting the Director Responsible for the Whistleblowing System in considering any possible irregularity and/or violation reported by the Tod's Group companies' personnel, as well as conducting, among other things, audit investigations aimed at reconstructing the events, in accordance with the procedure outlined in paragraph 12 below; any irregularity or violation found and any measure adopted are described in the relating Internal Audit Reports.



## ***7. Executive Responsible for Financial Reporting***

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

The Executive Responsible for Financial Reporting has ultimate responsibility for the planning, management and monitoring of those processes relating, in particular, to management and accounting information flows (including the automated data processing and accounting reporting systems) and for attesting to their adequacy and effective application, as defined by the relevant laws and regulations.

The Executive Responsible shall initially identify and assess the risks on financial information, identify and carry out the appropriate controls, targeted at mitigating the possibility that such risks will occur, and monitor and assess the efficacy of the controls within the context of a risks management and internal control system, in relation to the financial information process, which is adequate and functioning.

The Executive Responsible shall also be given all the powers and means necessary to guarantee the soundness, reliability, accuracy and timeliness of the financial information and, in general, the fulfilment of the duties arising from law and the Company's By-Laws, without any specific limitation of expenditure, with the sole limit of the necessary reasonableness of what is provided by he himself.

The Executive Responsible, together with the Managing Director, has the duty of giving instructions also to the subsidiaries belonging to the Tod's S.p.A. Group, so that they shall adopt all the provisions, administrative and accounting procedures and any other act and measure functional to the correct drawing up of the consolidated financial statements, as well as in any event all measures communicated by the same Executive Responsible under for the effects of Law no. 262/05 and Legislative Decree no. 303/06, which assures the maximum reliability of

information flows directed to the Executive Responsible relative to the drawing up of the company's accounting documentation.

A description of the main characteristics of the existing risks management and internal control systems in relation to the financial information process is contained in the annual Report on corporate governance and ownership structure prepared by the Issuer.

As part of his/her function, the Head of the Internal Audit function has the power to perform independent checks to verify the reliability of information systems, including the accounting systems.

#### **8. Board of Statutory Auditors**

**8.1** By law, the Board of Statutory Auditors is responsible for, among other things, overseeing on:

- the observance of laws and of the Company's By-Laws;
- the application of appropriate management principles;
- the manner of the actual implementation of the corporate governance rules provided under the codes of conduct drawn up by companies managing regulated markets or trade associations, which the Company declares that it shall observe;
- adequacy of the orders given by the Issuer to the subsidiaries, under art. 114, § 2, Legislative Decree no. 58/98;
- the adequacy of the Company's organisational structure, for those areas under its supervision, of the Internal Control and Risk Management System and of the accounting administration system, in addition to the reliability of the latter in giving a correct view of business events and, in particular:
  - the financial information process;
  - the efficacy of the Internal Control, internal audit, if applicable, and risk management systems.

The Board of Statutory Auditors shall also supervise:

- the legal audit of the annual accounts and of the consolidated accounts;

- the independence of the legal auditor or of the legal auditing firm, in particular as concerns the providing of non-audit services to the Issuer.

Also in order to fulfil the above duties:

*a)* the Board of Statutory Auditors attends the meetings of the Board of Directors and Executive Committee;

*b)* at a minimum, the Chairman of the Board of Statutory Auditors, or other auditor designated by him/her, will take part in the work of the Control and Risk Committee; the other Statutory Auditors may also participate;

*c)* the Board of Statutory Auditors undertakes an independent evaluation of the effectiveness and functioning of the Internal Control and Risk Management System, and may submit, every time it believes it necessary or advisable, recommendations to the corporate bodies responsible, as appropriate, for the purpose of strengthening the Internal Control and Risk Management System;

*d)* the Board of Statutory Auditors may call the Supervisory Body to meet and submit requests for information and/or clarifications;

*e)* the Board of Statutory Auditors reviews the reports of the Head of the Internal Audit function at meetings of the Control and Risk Committee and may ask the Head of the Internal Audit function to present the results of the activities carried out at periodic audit meetings in order to directly and independently evaluate the efficiency of the Internal Control and Risk Management System, every time it believes it necessary or appropriate;

*f)* is consulted by the Board of Directors upon approval of the annual audit plan prepared by the Head of the Internal Audit function;

*g)* every time it is held necessary or appropriate, in compliance with law, the Head of the Internal Audit function shall report to the Board of Statutory Auditors of his/her own initiative or even at the request of one only of the Statutory Auditors;

*h)* the Board of Statutory Auditors shall examine the proposals submitted by the Auditing Firms to obtain the entrusting of the relative appointment, as well as the

works plan drawn up for the audit and the results set forth in the report and in the recommendation letter, if any;

*i)* without prejudice to the Auditing Firm's independence in performing its appointment – and, in particular, in checking the correct application of the accounting standards – with the timing held adequate from time to time in relation to the circumstances of the actual case at issue, the Board of Statutory Auditors shall invite the Auditing Firm to report regarding the audit activity performed, in order to report any possible critical points, also in relation to the application of the accounting standards; is consulted by the Board of Directors upon review of the report submitted by the Independent Auditor in any letter of suggestions and in the report on fundamental issues raised during the statutory audit;

*l)* with the timing held adequate from time to time in relation to the circumstances of the actual case at issue, the Board of Statutory Auditors shall check that the Auditing Firm receives all the information required for the performance of its duties, inviting the Executive Responsible for Financial Reporting to report regarding the completeness and exhaustive nature of the information flows directed to the Auditing Firm;

*m)* is consulted by the Board of Directors when decisions are taken to appoint, dismiss, remunerate and allocate resources to the Head of the Internal Audit function;

*n)* is heard by the Control and Risk Committee as to the proper application of the accounting standards and their consistency for the purposes of the preparation of consolidated financial statements.

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

### **9. Supervisory Body under Legislative Decree no. 231/2001**

The Supervisory Body of the Issuer shall be composed and function respecting the provisions of Legislative Decree no. 231/2001.

The role, duties and functions of the Supervisory Body are defined within the Management and Control Organizational Model approved by the Company, to which full reference is made.

For an effective and efficient Internal Control and Risk Management System within the Tod's Group, the following is in any event established:

- a) the Supervisory Body shall report – normally at least on a six-monthly basis – to the Board of Directors on the state of implementation of the Model, on the results of the activities performed, as well as on the possible updating of the “risky” processes;
- b) in any event, every time it ascertains a significant breach of the Model, or in any event a material critical point relative to the due observance of the same Model, it may report directly to the Board of Directors and, for it, to the Directors Responsible for the Internal Control and Risk Management System, as well as, should it ascertain the need for this, and, in particular, for breaches committed by the top level management or by the Directors, to the Board of Statutory Auditors.

### **10. Employees.**

**10.1** All employees of the Tod's Group companies, in accordance with their respective roles, are to contribute to ensuring the effective functioning of the Internal Control and Risk Management System, reporting any significant failure of the system to their respective supervisor so that the Head of the Internal Audit function may be made immediately aware.

**10.2** Each employee of the Tod's Group companies is authorised to report alleged irregularities and/or violations (if any) of the applicable regulations and corporate procedures according to the method described in paragraph 12 below.

**11. Strategically important companies in the Tod's Group.**

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

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

The Head of the Internal Audit function shall report to the corporate bodies responsible, in particular, on the status of implementation and functioning of the Internal Control and Risk Management System within the subsidiaries considered strategically important (as part of the reports provided periodically to the competent bodies).

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

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

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

vi) material nature and complexity of the functions performed by the subsidiary within the Group.

**11.4** The Board of Directors of Tod's S.p.A. shall, at least once per year, usually to coincide with the Board meeting held to approve the half-year financial report, or at a Board meeting to be held in the fourth quarter of the financial year, specify those companies within the Tod's Group which are considered strategically important.

## **12. Whistleblowing System**

**12.1** In accordance with the best practices applied at a national and international level and reported in the recommendations laid down in the Self-discipline Code, the Company's Internal Control and Risk Management System includes a whistleblowing system that allows the personnel (i.e. all the workers<sup>1</sup> of the companies in the Tod's Group that adopted the Organizational Model pursuant to Legislative Decree 231/2001) to report all such acts or events as may constitute a violation of any applicable regulations and internal procedures.

**12.2** All workers who find, during their activity, that there has been an alleged unlawful act and/or instance of non-compliance with rules (regardless of whether they are legislative, regulatory, bylaw and/or corporate) which might be detrimental to customers, colleagues, shareholders, any other stakeholder and/or the Company's reputation, may report it to the Whistleblowing Function by sending an e-mail from their corporate address (or other address if they do not have a corporate e-mail):

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<sup>1</sup> For the purposes of these Guidelines, workers mean all those persons who operate for the Company or for any of its subsidiaries under an employment relationship that involves their inclusion in the corporate organization (including, but not limited to, employees of any level and rank, collaborators, apprentices, interns, etc.).

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- to the address [whistleblowing@todsgroup.com](mailto:whistleblowing@todsgroup.com) which can be accessed by both the Head of Internal Audit Function and the Director Responsible for the Whistleblowing System;

- or to the address [whistleblowing.amministratorealcontrollointerno@todsgroup.com](mailto:whistleblowing.amministratorealcontrollointerno@todsgroup.com) which can be accessed only by the Director Responsible for the Whistleblowing System, in the event of the whistleblower intending to report an alleged irregularity and/or violation attributable to the Head of the Internal Audit Function;

- or to the address [whistleblowing.internalaudit@todsgroup.com](mailto:whistleblowing.internalaudit@todsgroup.com) which can be accessed only by the Head of the Internal Audit Function, in the event of the whistleblower intending to report an alleged irregularity and/or violation attributable to the Director Responsible for the Whistleblowing System;

-or to the address accessed by the members of the Supervisory Bodies of the companies belonging to the Group endowed with an Organizational Model pursuant to Legislative Decree 231/2001, in the event that the whistleblower wishes to report an alleged irregularity and / or violation attributable to the Model. It should be noted that, as envisaged by the Organizational Model pursuant to Legislative Decree 231/2001, should any notifications concerning violations not relevant to the Model itself be received, it will be responsibility of the Supervisory Body to transmit them to the Whistleblowing Function in the manner described above.

**12.3 The Whistleblowing Function** duties are performed by the Head of the Internal Audit Function and by the Director Responsible for the Whistleblowing System; the latter is usually appointed by the Board of Directors from among the Directors Responsible for the Internal Control and Risk Management System. With the consent of the Director Responsible for the Whistleblowing System, the Head of the Internal Audit Function may



make use of any other Company employee and/or advisors for the performance of the tasks of the Whistleblowing Function.

**12.4** Any and all persons involved in the whistleblowing process are required to keep any information strictly private and confidential and ensure its safety, also as regards the identity of the whistleblower. This identity may be disclosed with the consent of the whistleblower, or when this is required to defend the person against whom the allegation is made, or when the information is requested by the judicial authority in the course of investigations or any possible proceedings initiated following the whistleblowing. Therefore, disciplinary measures are envisaged for those who carry out acts of retaliation or discriminatory, direct or indirect, against the whistleblower for reasons connected directly or indirectly to the notice of report.

**12.5** In order to ensure a quicker and more effective procedure, the notice of report shall be as comprehensive as possible and contain the following information:

- (i) personal data of the whistleblower (first and last name, corporate function);
- (ii) contact details to be contacted for in-depth investigations and updates on the procedure;
- (iii) personal data of the person against whom the allegation is made (first and last name, corporate function);
- (iv) the date on which, and the place and manners in which, the reported events occurred;
- (v) any possible documentation proving how the events occurred (to be sent via e-mail);
- (vi) details of any such reporting-related interest as may be held by the whistleblower – on his/her own account or on behalf of third parties -, or a declaration stating that the whistleblower does not hold any

interest – on his/her own account or on behalf of third parties – in relation to the information reported.

The Head of the Internal Audit Function is not required to consider the notices of report that do not provide the information specified above and may – where applicable – ask for clarifications, which may not be unreasonably withheld by the whistleblower.

**12.6** When the notice of report is received, the Head of the Internal Audit Function carries out a preliminary classification and evaluation of any information received and, should the notice of report be deemed to be important and/or well-founded following a preliminary analysis, he shall:

- a) start audit investigations aimed at reconstructing the events precisely;
- b) notify this to the Director Responsible for the Whistleblowing System (except for the case when the alleged reported irregularity and/or violation is attributable to the Director Responsible for the Whistleblowing System), who shall establish whether and how to take action and, where deemed appropriate, he may report the issue to the Executive Committee or to the Board of Directors;
- c) in the most serious cases, and in any case when the notice of report involves a Director or a Statutory Auditor, or any alleged violation that entails the risk of a penalty being applied as provided for in the Organisational, Management and Control Model adopted by the Company under Legislative Decree no. 231/01, notify this to the Board of Directors, the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Body.

**12.7** Should the alleged reported irregularity and/or violation involve the Head of the Internal Audit function, the entire matter comes under the direct responsibility of the Director Responsible for the Whistleblowing System. Should the notice of report be deemed to be important and/or well-founded following a preliminary analysis, the latter shall: (a) start audit

investigations aimed at reconstructing the events precisely, and (b) notify this to the Board of Directors, the Control and Risk Committee and the Board of Statutory Auditors, as well as to the Supervisory Body in the case of any alleged violation that entails the risk of a penalty being applied as provided for in the Organisational, Management and Control Model adopted by the Company under Legislative Decree no. 231/01.

**12.8** During the investigations the Head of the Internal Audit Function (and/or the Director Responsible for the Whistleblowing System) may consider whether to contact the whistleblower on a confidential basis in order to obtain more information. He may decide to go to the place in question in order to reconstruct the events and also ask the competent functions and/or persons to provide any additional document and clarification as needed. For the performance of investigations, the Head of the Internal Audit Function may be assisted, with the consent of the Director Responsible for the Whistleblowing System, by other Company employees or by any other Tod's Group company, as well as by advisors.

**12.9** Once the events are reconstructed and the investigations completed, the Head of the Internal Audit Function prepares a formal audit report and sends it to the Director Responsible for the Whistleblowing system and, if required, to the Board of Directors, the Control and Risk Committee, the Board of Statutory Auditors and the Supervisory Body. If the audit report involves the Head of the Internal Audit Function, it shall be prepared by the Director Responsible for the Whistleblowing System and notified to the Board of Directors, the Control and Risk Committee, the Board of Statutory Auditors and, if required, to the Supervisory Body.

**12.10** Where he deems appropriate, the Head of the Internal Audit Function may put forward proposed actions to prevent and mitigate risks to the competent functions involved in the notice of report.

**12.11** After having received the audit report, the Director Responsible for the Whistleblowing System (or, where applicable, the Board of Directors) considers whether to start the disciplinary procedure aimed at imposing any appropriate sanction on the persons responsible for the violations in question, in full compliance with the rules applicable from time to time, including any corporate regulations. The Director Responsible for the Whistleblowing System may decide whether to submit the issue to the Executive Committee and/or to the Board of Directors for any appropriate measure.

**12.12** Should the whistleblower be jointly responsible for the violations in question, the Director Responsible for the Whistleblowing System (or, where applicable, the Board of Directors) shall ensure special treatment in taking disciplinary measures, with respect to any other person jointly liable with him, in accordance with any applicable regulations.

**12.13** The Head of the Internal Audit Function and the Director Responsible for the Whistleblowing System shall establish whether the whistleblower has been involved in any retaliatory, discriminatory or unfair conduct as a result of his notice of report, regardless of whether the person against whom the allegation has been made is found to be effectively liable, without prejudice to the possibility of applying disciplinary measures against those who carry out, with malice or gross negligence, notices of report that are unfounded.

**12.14** The Head of the Internal Audit Function (or, where applicable, the Director Responsible for the Whistleblowing System) shall inform the whistleblower, via e-mail or in such other manner as may be stated in the notice of report, of the various phases and developments of the procedure, and specifically:

- (i) at the time when the notice of report is received and processed;
- (ii) upon the start of any audit investigations;

- (iii) upon completion of any audit investigations;
- (iv) upon completion of the procedure and the imposition of any possible sanction on the persons liable for the violations in question.

**12.15** Should a disciplinary procedure be started in relation to the person against whom the allegation is made following a notice of report, the Director Responsible for the Whistleblowing System (or, where applicable, the Chairman of the Board of Directors) is required to give notice thereof to said person, including through the Head of the Internal Audit Function, where applicable.

**12.16** The Head of the Internal Audit Function shall give an account of any irregularities and violations that have been detected and any measures that have been taken by the competent corporate bodies in his Internal Audit Reports, which shall be sent to the bodies involved in the Internal Control and Risk Management System in compliance with the provisions laid down in paragraph 6.5, lett. n), above. The Director Responsible for the Whistleblowing System shall promptly inform the Control and Risk Committee, the Board of Directors and the Board of Statutory Auditors, of any irregularities and violations that have been detected in relation to the Head of the Internal Audit Function.