

DIRECTORS' REPORT ON THE AMENDMENTS OF ARTICLES 15, 17, 27 AND 28 OF THE ARTICLES OF ASSOCIATION, AND THE INTRODUCTION OF ART. 28 BIS.

This Report illustrates in detail and sets forth the reasons underlying the amendments to the Articles of Association, subjected to the approval of the Company's Board with a view to bringing the same abreast with the current provisions of section 2365, paragraph 2, of the Italian civil code.

Law no. 262/2005 (the so-called "Law on Savings") introduced new imperative "*corporate governance*" requirements in respect of, inter alia, the appointment of company directors and the members of the board of statutory auditors, and, more specifically, the Chairman thereof. The Law on Savings also introduced the post of Executive In Charge of Drawing Up the Company's Accounting Documents. This was followed by legislative decree no. 303 of 29 December 2006 ("*coordination of the banking and credit consolidation law (TUB) and the financial consolidation law (TUF) with Law no. 262 of 28 December 2005*": the so-called "Pinza Decree"). Amongst other things and insofar as is pertinent for our purposes, the Pinza Decree introduced provisions on the matters already mentioned above, as well as on the appointment of the Independent Auditors, further entrusting to Consob the task of laying down specific implementing regulations.

The Law on Savings and the Pinza Decree (and more specifically the final and provisional provisions set forth in article 8 of the latter), require Tod's S.p.A.'s Articles of Association to be suitably amended and extended so as to comply with the new statutory and regulatory framework no later than 30th June 2007.

Subsequently, by Resolutions no. 15915 of 3 May 2007 and no. 15960 of 30 May 2007, Consob issued the implementing regulations for the aforesaid statutory provisions. In light of the above, the Board of Directors is now called upon to approve the amendments to the Articles of Association as may be necessary or useful to ensure that the same comply with the currently applicable statutory and regulatory framework.

More specifically, it appears necessary to amend articles 15, 17, 27 and 28 of the current Articles of Association, as well as to extend the same with the introduction of the new article 28 *bis*: the aforesaid amendments and extensions are set forth in detail below together with the reasons underlying the same.

It must be specifically pointed out that none of the aforesaid amendments or extensions entitle shareholders to exercise their right of withdrawal.

CURRENT TEXT**Article 15**

The provisions of law shall apply in order for the convening and resolutions of the Ordinary and Extraordinary Shareholders' Meetings to be valid, even on a second or eventual third call. The members of the Board of Statutory Auditors will be elected in accordance with the terms and conditions set forth in Article 27 of these Articles of Association.

PROPOSED TEXT**Article 15¹**

The provisions of law shall apply in order for the convening and resolutions of the Ordinary and Extraordinary Shareholders' Meetings to be valid, even on a second or eventual third call. The members of the Board of Directors and of the Board of Statutory Auditors will be elected in accordance with the terms and conditions set forth respectively in Articles 17 and 27 of these Articles of Association.

BOARD OF DIRECTORS**Article 17**

The Company is managed by a Board of Directors that will have from three to fifteen members, with the exact number to be set by the Shareholders' Meeting.
The directors may not be appointed for more than three fiscal years and may always be re-elected.

BOARD OF DIRECTORS**Article 17²**

The Company is managed by a Board of Directors that will have from three to fifteen members, with the exact number to be set by the Shareholders' Meeting.
The directors may not be appointed for more than three fiscal years and may always be re-elected.
The Company's directors shall be appointed on the basis of election by voting lists submitted by shareholders.
Shareholders representing a percentage of share capital at least equivalent to that determined by Consob pursuant to applicable laws and regulations, shall be entitled to submit lists of candidates.
Under pain of disqualification, each candidate may appear only on one list. All the candidates on the lists must meet statutory requirements as well as the requirements set forth in these Articles of Association or other applicable provisions pertaining to their acceptance of office (without prejudice to any and all other causes of disqualification or ineligibility).
No list may contain more than fifteen (15)

¹Article 15 must be amended so as to ensure that the text complies with the new imperative provisions pertaining to the appointment of company directors, set forth in article 17 of the Articles of Association (new text), as rendered compliant with art. 147 ter of Legislative Decree no. 58/98, as further amended by law no. 262/2005.

²The extensions are necessary to ensure compliance with the new provisions of article 147 ter of Legislative Decree no. 58/98, and related implementing provisions that require the articles of association to provide for so-called "voting lists", with the appointment of at least one company director elected by minority shareholders.

candidates, listed in serial order. At least two candidates, standing always at the second and seventh³ positions in each list, must meet the requirements of independence imposed under article 147 *ter* of Legislative Decree no. 58/98 (as further amended).

The lists submitted by shareholders must be lodged with the Company's registered offices at least fifteen full days prior to the scheduled date of the relevant Shareholders' Meeting at first calling.

Together with each list, and in any event within the time period indicated above, the following documents must also be lodged with the Company's registered offices: (i) specific certification by an authorized intermediary as defined under law, attesting the ownership of the number of shares required to qualify for the submission of lists; (ii) a *curriculum vitae* for each candidate setting forth an exhaustive description of his or her personal and professional features; (iii) declarations issued by each candidate attesting their acceptance of their candidature and further attesting, under their own responsibility and under pain of disqualification from election, that they do not labour under any of the reasons or causes of disqualification and ineligibility and that they meet the requirements set forth under law and these Articles of Association for acceptance of office as a company director, and moreover, if necessary, that they meet the requirements of independence within the meaning of law in respect of members of the board of statutory auditors.

Lists that do not comply with the aforesaid provisions shall be deemed as never having been submitted.

The Board of Directors shall be appointed pursuant to the following election procedure:

a) all the directors but one shall be drawn from the list obtaining the highest number of votes cast by shareholders, in the same serial order

³ *This rule must be introduced to ensure compliance with article 147 ter, paragraph 4, TUF, even in the case where the board of directors is, for instance, made up only of three members (in fact, at least one of the two draw from the list obtaining the highest number of votes would be independent). If the board is made up of more than seven members, at least two of them must be independent: accordingly, at the very least both the second and the seventh candidates on the list must qualify as independent directors.*

	<p>in which they appear in the said list;</p> <p>b) the remaining director shall be drawn from the list that obtains the second highest number of votes and that is not linked in any way, whether directly or indirectly, with the shareholders who submitted or voted in favor of the list that obtained the highest number of votes.</p> <p>In the case where only one list is submitted or qualified for election, all the candidates on the said list shall be appointed to the board following the serial order in which they appear in the said list.</p> <p>In the case where it is not possible for directors to be appointed on the basis of voting lists, the Shareholders' Meeting shall make the required appointments in departure from the aforesaid procedure and with the functional quora imposed under law.</p>
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<p align="center">BOARD OF STATUTORY AUDITORS</p> <p align="center">Article 27</p> <p>The Board of Statutory Auditors is comprised by three Statutory Auditors and two Substitute Auditors, who must satisfy the requirements set forth in applicable laws and regulations. Accordingly, their selection will reflect the matters and sectors of activities closely connected with those of the company as indicated in the company purpose, with particular reference to companies and entities operating in the industrial and manufacturing sectors, the luxury good sector, design sector, marketing sector, intellectual property, and services in general. The Statutory Auditors hold office for three fiscal years and may be re-elected. The Shareholders' Meeting that appoints the Statutory Auditors and the Chairman of the Board of Statutory Auditors shall determine the fee to be paid to them.</p>	<p align="center">BOARD OF STATUTORY AUDITORS</p> <p align="center">Article 27⁴</p> <p>The Board of Statutory Auditors is comprised by three Statutory Auditors and two Substitute Auditors, who must satisfy the requirements set forth in applicable laws and regulations. Accordingly, their selection will reflect the matters and sectors of activities closely connected with those of the company as indicated in the company purpose, with particular reference to companies and entities operating in the industrial and manufacturing sectors, the luxury good sector, design sector, marketing sector, intellectual property, and services in general. The Statutory Auditors hold office for three fiscal years and may be re-elected. The Shareholders' Meeting that appoints the Statutory Auditors and the Chairman of the Board of Statutory Auditors shall determine the fee to be paid to them.</p>
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⁴*The extensions are necessary to ensure compliance with the new provisions of article 148 of Legislative Decree no. 58/98, and related implementing provisions issued by Consob regarding the appointment of the members and Chairman of the board of statutory auditors (chairman elected by minority shareholders).*

The Statutory Auditors and Substitute Auditors shall be elected in accordance with the following terms and conditions:

~~a) as many shareholders as represent at least 5% of the share capital comprised by ordinary shares may submit a list of candidates listed in order by number, depositing this list at the registered office of the Company at least 40 days before the date scheduled for the shareholders' meeting on the first call, on penalty of forfeiture. Each list deposited must be accompanied by the statements in which the individual candidates accept their candidacy and certify, under their own responsibility, that there are no reasons why they might be ineligible, as well as satisfaction of the requirements prescribed by applicable laws and regulations to hold the office of statutory auditor. Lists that do not comply with the aforementioned rules will not be considered;~~

~~b) every shareholder, as well as shareholders belonging to the same group, may not submit more than one list, either directly or through an intermediary or trust company, and they may not vote for different lists. Each candidate may submit just one list, on penalty of ineligibility;~~

~~e) for the purposes of applying the foregoing paragraph, members of the same group are considered those persons that, even if they do not have a corporate form, directly or indirectly control the shareholders in question and all direct and indirect subsidiaries of the aforementioned person. Reference must be made to Section 2359, paragraphs 1 and 2 for the notions of "control" and "subsidiaries;~~

~~d) the prohibition against submitting more than one list or voting for different lists also applies to the shareholders who directly or indirectly enter into agreements regarding exercise of the voting right or transfer of shares or agreements or clauses, regardless of their validity, envisaged in applicable laws and regulations for the purpose of determining the level of participation in listed companies that may not be exceeded without floating a tender offer;~~

~~e) the lists may not include candidates who already hold the post of Statutory Auditor in five other companies or entities, whose securities have been listed on a regulated market entered on the list envisaged in Articles 63 and 67 of Legislative Decree no. 58/1998, excluding~~

The Statutory Auditors and Substitute Auditors shall be elected in accordance with the following terms and conditions:

a) Shareholders representing a percentage of share capital at least equivalent to that determined by Consob for the appointment of directors pursuant to applicable laws and regulations, shall be entitled to submit lists of candidates listed in order by number, depositing this list at the registered office of the Company at least 15 days before the date scheduled for the shareholders' meeting on the first call, on penalty of forfeiture; each list must be accompanied by the information required pursuant to applicable statutory and regulatory provisions in force from time to time; lists that do not comply with the aforementioned rules will not be considered;

b) no shareholder may submit or vote more than one list, including by third party intermediaries or trust companies; shareholders belonging to the same voting block and/or which are parties to a shareholders' agreement pertaining to shares in the Company may not submit or vote more than one list, even through third party intermediaries or trust companies;

c) no candidate may appear in more than one list under pain of disqualification; no candidate on any list may hold directorships and executive appointments in excess of the thresholds established under law and related implementing provisions in force from time to time;

d) in the case where at the expiry date of the time period specified in point a) above only one list has been lodged, or the only lists lodged are submitted by shareholders considered as related parties under applicable statutory and regulatory provisions, further lists may be presented up to the fifth day following the aforesaid expiry date. In such case the time periods specified in point a) above shall be reduced by half.

The Board of Statutory Auditors is elected as follows:

a. two statutory auditors and an substitute auditor are taken from the list that obtained the greatest number of votes, in the order in which they were listed on it;

b. the third statutory auditor and the second

~~the controlling companies and subsidiaries of Tod's and the subsidiaries of its controlling companies from the calculation, or candidates who do not satisfy the integrity and professional requirements set forth in applicable laws and regulations.~~

The Board of Statutory Auditors is elected as follows:

a. two statutory auditors and an substitute auditor are taken from the list that obtained the greatest number of votes, in the order in which they were listed on it;

b. the third statutory auditor and the second substitute auditor are taken from the list that obtained the second highest number of votes, in the order in which they were listed on it.

~~The Chairman of the Board of Statutory Auditors shall be the person indicated at the head of the list that obtained the highest number of votes.~~

If just one list of candidates is submitted, the statutory auditors and substitute auditors will be elected as part of that list.

If a statutory auditor is replaced, the substitute auditor belonging to the same list as the person substituted will take over his position.

If the Chairman is replaced, ~~the other statutory auditor elected on the same list as the Chairman will take over.~~

The Shareholders' Meeting called to replace the members of the Board of Statutory Auditors pursuant to law shall comply with the principle of minority representation.

~~The post of statutory auditor at the Company is incompatible with holding the same office at more than five other companies with listed shares.~~

In addition to the duties envisaged in applicable laws and regulations, the Board of Statutory Auditors has the right to express non-binding opinions on the information received from the Board of Directors in regard to the most significant economic and financial transactions executed by the Company or by subsidiaries, and in regard to transactions with related parties.

substitute auditor shall be drawn from the list that obtained the second highest number of votes, and that is in no way linked, directly or indirectly, with the shareholders who submitted or voted the list that obtained the highest number of votes, in the order in which they were listed on it.

The Chairman of the Board of Statutory Auditors shall be the statutory auditor drawn from the list that obtained the second highest number of votes.

If a statutory auditor is replaced, the substitute auditor belonging to the same list as the person substituted will take over his position.

If the Chairman is replaced, **the Chair shall be assumed by the substitute auditor replacing the outgoing Chairman.**

The Shareholders' Meeting called to replace the members of the Board of Statutory Auditors pursuant to law shall comply with the principle of minority representation.

The foregoing provisions regarding the election of members and the chairman of the Board of Statutory Auditors shall not apply in the case of Shareholders' Meetings at which only one list is submitted or voted; in such cases the Shareholders' Meeting shall pass the related resolutions by majority vote.

In addition to the duties envisaged in applicable laws and regulations, the Board of Statutory Auditors has the right to express non-binding opinions on the information received from the Board of Directors in regard to the most significant economic and financial transactions executed by the Company or by subsidiaries, and in regard to transactions with related parties.

<p style="text-align: center;">INDEPENDENT AUDITOR</p> <p style="text-align: center;">Article 28</p> <p>Upon consulting with the Board of Statutory Auditors, the Shareholders' Meeting appoints the auditor of the books and financial statements in compliance with applicable laws and regulations.</p>	<p style="text-align: center;">INDEPENDENT AUDITOR</p> <p style="text-align: center;">Article 28⁵</p> <p>At the motion supported by due reasons of the Board of Statutory Auditors, the Shareholders' Meeting appoints the auditor of the books and financial statements in compliance with applicable laws and regulations.</p>
<p style="text-align: center;">Article not present</p>	<p style="text-align: center;">DRAWING UP OF THE COMPANY'S ACCOUNTING DOCUMENTS</p> <p style="text-align: center;">Article 28^{6 bis}</p> <p>After having necessarily acquired the opinion of the Board of Statutory Auditors, the Board of Directors shall appoint an executive in charge of drawing up the Company's accounting documents and complying with the formalities imposed under applicable statutory and regulatory provisions, selecting the same from amongst executives with at least three years' professional experience in a managerial post in charge of accounting or administrative functions with a listed company or in any event a corporation with share capital of no less than one million euro.</p>

⁶ *Article 28 bis must be introduced to ensure compliance with the new provisions of article 154 bis of Legislative Decree no. 58/98, regarding the appointment of the executive in charge of drawing up the company's accounting documents.*