

**REPORT**  
**ON CORPORATE GOVERNANCE AND THE OWNERSHIP STRUCTURE**

*pursuant to art. 123 bis of the Consolidated Finance Law (TUF)*

*(traditional administration and control model)*

Issuer: **Aeffe S.p.A.**

Website: [www.aeffe.com](http://www.aeffe.com)

Year covered by the Report: 2016

Date of approval of the Report: 9th March 2017

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## GLOSSARY

**Code / Code of Self-Regulation:** the Code of Self-Regulation approved in July 2015 by the Committee for the Corporate Governance of Listed Companies and promoted by Borsa Italiana S.p.A., ABI, Ania, Assogestioni, Assonime and Confindustria.

**Civil Code / c.c.:** the Italian civil code.

**Board:** the Issuer's board of directors.

**Issuer:** Aeffe S.p.A., with registered offices at via delle Querce 51, San Giovanni in Marignano (Rimini), share capital € 26,840,626.00, Rimini Companies Register and Tax Code no. 01928480407, Rimini Business Register (R.E.A.) no. 227228.

**Year:** the financial year covered by the Report.

**Market Instructions:** the Instructions to the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A.

**MTA:** the Screen-traded Market organized and managed by Borsa Italiana S.p.A.

**Market Regulations:** the Regulations for Markets Organized and Managed by Borsa Italiana S.p.A.

**Consob's Issuers' Regulation:** the Regulation governing issuers approved by Consob Resolution no. 11971/1999 and subsequent additions and amendments.

**Consob's Market Regulation:** the Regulation governing market matters approved by Consob Resolution no. 16191/2007 and subsequent additions and amendments.

**Consob's Related Parties Regulation:** the Regulation governing market matters approved by Consob Resolution no. 17221 dated 12th March 2010 (as subsequently amended).

**Report:** the report on corporate governance and the ownership structure that companies are required to prepare pursuant to art. 123 bis of the Consolidated Finance Law (TUF).

**TUF:** Decree no. 58 dated 24th February 1998 (Consolidated Finance Law) and subsequent additions and amendments.

## **1. PROFILE OF THE ISSUER**

The Aeffe Group operates at an international level in the fashion and luxury sector, producing and distributing a wide range of products that include prêt-à-porter, footwear and leather goods, lingerie and beachwear. With a constant focus on uniqueness and exclusivity, the Group designs, produces and distributes collections for both its house brands, including “Alberta Ferretti”, “Philosophy di Lorenzo Serafini”, “Moschino” and “Pollini”, and for licensed brands, including “Jeremy Scott”, “Blugirl” and “Cedric Charlier”. In addition, the Group has licensed the production and distribution of additional accessories and products to leading partners, in order to complete its range (perfumes, kids and junior lines, watches and eyewear).

The activities of the Aeffe Group are organized into two segments based on the various brands and product lines: the Prêt-à-porter Division, comprising the business activities of Aeffe, Moschino and Velmar, is mainly focused on the creation, production and distribution of luxury prêt-à-porter collections, as well as collections of lingerie, beachwear and loungewear. Distribution covers both the retail and the wholesale channels. This Division also manages the licenses granted to non-Group companies for the production of lines under the brand names owned by Aeffe and Moschino. The Footwear and leather goods Division, comprising Pollini and its subsidiaries, mainly operates in the creation, production and distribution of footwear, small leather goods, bags and coordinated accessories, using exclusive-quality materials. It is also responsible for managing the license contracts granted to non-Group companies for the creation of product lines branded Pollini and Studio Pollini.

In compliance with regulatory requirements, this Report contains a general description of the system of governance adopted by the Company and provides information about the ownership structure and adoption of the Code of Self-Regulation.

The Company adopts a traditional system of administration and control, in which the Board of Directors plays a central role.

In accordance with the law, the accounting checks are performed by an auditing firm.

The Issuer's system of corporate governance, being the set of rules and methodologies for the planning, management and control of activities that ensure the proper and transparent functioning of the Company, has been devised by the Board of Directors (i) in compliance with the regulations applicable to the Company as a listed Issuer, (ii) in accordance with the Code of Self-Regulation and (iii) to reflect domestic and international best practices.

Governance of the Company is therefore founded on: (i) the guiding role of the Board of Directors in determining the strategic direction; (ii) the transparency of operational decisions both within the Company and in relation to the market; (iii) the definition of a policy for

remunerating the directors and executives with strategic responsibilities in compliance with the provisions of the Code; (iv) the careful management of potential conflicts of interest; and (v) clear procedural rules for the conduct of related-party transactions, in accordance with the regulations in force, and for the processing of corporate information.

The Mission of the Company is to create value for all shareholders, employees, customers and vendors.

**2. INFORMATION ABOUT THE OWNERSHIP STRUCTURE (ART. 123-BIS, TUF) AS OF 31ST DECEMBER 2016**

**(A) Share capital structure (para. 1.a) of art. 123-bis, TUF)**

The issued and fully-paid share capital of the Issuer amounts to Euro 26,840,626.00, represented by 107,362,504 ordinary shares, nominal value Euro 0.25 each, that are listed solely in the STAR segment of the MTA. The categories of shares outstanding are indicated in the following table..

| SHARE CAPITAL STRUCTURE              |                |                |                        |  |
|--------------------------------------|----------------|----------------|------------------------|--|
|                                      | NO. OF SHARES  | % OF CAPITAL   | LISTED IN STAR SEGMENT | RIGHTS AND OBLIGATIONS                                 |
| ORDINARY SHARES                      | 107,362,504    | 100%           | 107,362,504            | RIGHTS AND OBLIGATIONS ASSOCIATED WITH ORDINARY SHARES |
| SHARES WITH MULTIPLE VOTING RIGHTS   | NOT APPLICABLE | NOT APPLICABLE | NOT APPLICABLE         | NOT APPLICABLE   |
| SHARES WITH RESTRICTED VOTING RIGHTS | NOT APPLICABLE | NOT APPLICABLE | NOT APPLICABLE         | NOT APPLICABLE   |
| SHARE WITHOUT VOTING RIGHTS          | NOT APPLICABLE | NOT APPLICABLE | NOT APPLICABLE         | NOT APPLICABLE   |
| OTHER                                | NOT APPLICABLE | NOT APPLICABLE | NOT APPLICABLE         | NOT APPLICABLE   |

The Issuer has not issued any financial instruments carrying the right to subscribe for new shares.

**(B) Restrictions on the transfer of securities (para. 1.b) of art. 123-bis, TUF)**

The Articles of Association do not envisage restrictions on the transfer of securities.

**(C) Significant interests in share capital (para. 1.c) of art. 123-bis, TUF)**

Based on the communications made to Consob pursuant to art. 120 TUF, the following significant, direct or indirect interests in the share capital of the Issuer were held as of 31st

December 2016.

| <b>SIGNIFICANT INTERESTS IN SHARE CAPITAL</b> |                           |                       |                     |
|---|---------------------------|-----------------------|---------------------|
| Declarant                                     | Direct ownership          | % of ordinary capital | % of voting capital |
| TULLIO BADIOLI                                | TULLIO BADIOLI            | 5.000                 | 5.000               |
| FRATELLI FERRETTI HOLDING S.R.L.              | IM FASHION                | 24.410                | 24.410              |
|   | FRATELLI FERRETTI HOLDING | 37.387                | 37.387              |
|   | TOTAL                     | 61.797                | 61.797              |
| AEFFE S.P.A.                                  | AEFFE SPA                 | 5.473*                | 5.473               |

**(D) Securities carrying special rights (para. 1.d) of art. 123-bis, TUF)**

The Issuer has not issued any securities carrying special rights of control.

**(E) Shares owned by employees: exercise of voting rights (para. 1.e) of art. 123-bis, TUF)**

Employees who own shares in the Issuer exercise their voting rights directly, in accordance with the provisions of the Articles of Association.

**(F) Restrictions on voting rights (para. 1.f) of art. 123-bis, TUF)**

At the date of this Report, there are no restrictions and/or limitations on voting rights in relation to the Issuer's shares.

**(G) Shareholders' agreements (para. 1.g) of art. 123-bis, TUF)**

Pursuant to art. 122 TUF, as subsequently amended, and to the best of the Issuer's knowledge, there are no shareholders' agreements in force at the date of this Report.

**(H) Change of control clauses (para. 1.h) of art. 123-bis, TUF) and Articles of Association governing public offers (para. 1-ter of art. 104 and para. 1 of art. 104-bis, TUF)**

At the date of this Report, the Issuer and its subsidiaries have not signed any significant agreements that would become effective or would be modified or terminated upon a change in control over the Issuer or its subsidiaries.

The Articles of Association of the Issuer do not contain exceptions to the passivity rule envisaged in paras. 1 and 2 of art. 104, TUF; furthermore, the Articles of Association do not envisage application of the neutralization rules contained in paras. 2 and 3 of art. 104-bis, TUF.



**(I) Mandates to increase share capital and authorization to purchase treasury shares (para. 1.m) of art. 123-bis, TUF)**

The Board has not been granted any mandates to increase share capital pursuant to art. 2443 c.c., or to issue equity instruments.

Pursuant to the shareholders' resolution adopted on 3rd March 2008, the Issuer has purchased and currently owns 5,876,878 treasury shares representing 5.473% of share capital. The authorization to purchase treasury shares expired on 4th September 2009.

**(J) Management and coordination activities (art. 2497 et seq. c.c.)**

At the date of this Report, Fratelli Ferretti Holding S.r.l., a company owned jointly by Massimo Ferretti and Alberta Ferretti, directly holds 40,140,000 ordinary shares representing 37.387% of share capital, and indirectly holds via I.M. Fashion S.A. 26,207,690 ordinary shares representing 24.410% of share capital. In total, the above company holds 66,347,690 ordinary shares representing 61.797% of share capital. Art. 2497-*sexies* c.c. states that “*unless shown otherwise, it is presumed that powers of management and control over companies are exercised by the company or body required to consolidate their financial statements or which controls them pursuant to art. 2359 c.c.*”. Despite this, Aeffe believes that Fratelli Ferretti Holding S.r.l. has never exercised powers of management and control since (i) Fratelli Ferretti Holding S.r.l. does not give instructions to its subsidiary and (ii) there are no significant organizational-functional links between the two companies. Consequently, the Issuer considers that it operates, now and in the past, with full corporate and entrepreneurial autonomy with respect to its parent company, Fratelli Ferretti Holding S.r.l.

Relations with the latter are, in fact, limited solely to:

- (a) the routine exercise by Fratelli Ferretti Holding of the administrative and equity rights deriving from its status as a shareholder (voting at meetings, collection of dividends);
- (b) receipt by the governing bodies of Fratelli Ferretti Holding of the information provided by the Issuer pursuant to para. 5 of art. 2381 c.c.

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The information required by para. 1.i) of art. 123-bis, TUF, is presented in the compensation report published pursuant to art. 123-ter, TUF, while that required by para. 1.l) of art. 123-bis, TUF, is presented in the section of the Report relating to the Board.

### **3. COMPLIANCE (PARA. 2.A) OF ART. 123-BIS, TUF)**

The Issuer has adopted the Code, which is available to the public on the website of the Corporate Governance Committee of Borsa Italiana ([www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.en.htm](http://www.borsaitaliana.it/comitato-corporate-governance/codice/2015clean.en.htm)).

Neither the Issuer nor its subsidiaries of strategic significance are subject to non-Italian legislation that would influence the way their corporate governance is organized.

#### **4. BOARD OF DIRECTORS**

##### **4.1 APPOINTMENT AND REPLACEMENT (PARA. 1.L) OF ART. 123-BIS, TUF)**

Pursuant to art. 14 of the Articles of Association, the Board of Directors comprises a variable number of members, between seven and nine, who need not be shareholders, of which the least represented gender comprises at least one third of the total, as rounded up to the nearest whole number in the case of a fraction. The Board includes both executive and non-executive directors. In all cases, at least one member of the Board of Directors, or two if the Board of Directors comprises more than seven members, must satisfy the independence requirements established in art. 148.3 of Decree No. 58 dated 24th February 1998.

The directors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected.

As required by *Code application criterion 6.C.1*, it is confirmed that the mandate of the current Board terminates on approval of the financial statements as of 31st December 2016.

Pursuant to art. 15 of the Articles of Association, as modified on 18th April 2013 in accordance with the provisions of Law No. 120 dated 12th July 2011 (Law 120/2011), and pursuant to the provisions of Decree 27/2010, the ordinary shareholders' meeting is responsible for appointing the members of the Board from the lists of candidates presented by the shareholders, following the methodology described below and in compliance with the regulations currently in force on gender balance, rounding up to the nearest whole number the number of candidates belonging to the least represented gender, if application of the gender balance criterion does not result in a whole number.

In view of the fact that Law 120/2011 contained specific transitional arrangements applicable on the first renewal of the corporate bodies subsequent to 12th August 2012, (principle envisaging that, for the first mandate, the least represented gender must comprise "at least one fifth of the directors and statutory auditors elected", instead of one third), it is clarified that on the first renewal of the Board of Directors subsequent to the Shareholders' Meeting held on 18th April 2013, which took place at the Shareholders' Meeting called for 16th April 2014, the portion reserved for the least represented gender was limited to one fifth of the total.

Shareholders have the right to present lists of candidates if, individually or collectively, they represent at least 2.5% (two point five percent) of the shares with voting rights at Ordinary Meetings, or such different percentage of the Company's share capital as is established by current and applicable laws and/or regulations. Each Shareholder (as well as (i) shareholders

belonging to the same group, comprising the controlling party, not necessarily a company, as defined in art. 2359 of the Italian Civil Code, and all companies controlled by or under the joint control of that party, or (ii) the members of the same shareholders' syndicate pursuant to art. 122 of Decree No. 58 dated 24th February 1998, or (iii) the shareholders who are otherwise joined in relationships deemed relevant under current and applicable laws and/or regulations) may present or contribute together with other shareholders to the presentation, directly or via intermediaries or trust companies, of just one list of candidates; all lists presented by shareholders presenting multiple lists will be void.

The lists of candidates signed by the shareholders presenting them, or by the shareholder appointed to present them, and accompanied by the documentation required by the Articles of Association must be filed, via electronic documents bearing digital signatures applied in accordance with the applicable regulations, or otherwise, at the registered offices of the Company no later than twenty-five (25) calendar days prior to the date fixed for the Shareholders' Meeting in first (or only) calling and published on the Company's website at least 21 (twenty-one) calendar days prior to the date fixed for the Meeting in first (or only) calling, or any different minimum time envisaged by current legislation or regulations. The filed lists of candidates will also be valid for subsequent callings of the same Meeting, if applicable. In order to demonstrate ownership of the number of shares necessary for the presentation of a list, each nominating shareholder must file the documents confirming such ownership at the registered offices, together with the list, not later than 21 (twenty-one) calendar days prior to the date fixed for the Meeting in first (or only) calling. Each candidate can appear on just one list, or will be ineligible for election. Each list must contain at least three candidates. The lists must also include candidates from both genders, so that the least represented gender has the portion of candidates envisaged by the legislation in force at the time (rounded up to the nearest whole number in the case of a fraction). The candidates must be listed in consecutive numerical order. Shareholders who present a list that aspires to obtain the largest number of votes are responsible for ensuring that such list contains a sufficient number of candidates. At least one candidate from each list, or two if the Board of Directors comprises more than seven members, must satisfy the independence requirements established in art. 148.3 of Decree No. 58 dated 24th February 1998 and subsequent amendments. In addition to each list, the following information must be filed at the registered offices by the above deadline:

a) the list of shareholders presenting the list, stating their personal or business names, addresses, company registration numbers or equivalent, and total percentage interest held in the Company's share capital.

b) the curriculum vitae of each candidate, containing full information on their personal and professional characteristics and an indication, where applicable, that they satisfy the independence requirements established in para. 4 of art. 147-ter of Decree No. 58 of 24th February 1998 and subsequent amendments, as well as: (i) their appointments as non-executive directors or auditors of companies listed on regulated markets (including foreign markets) and of banks, insurance companies and other major companies, being those whose total assets or sales reported in their latest financial statements exceeded Euro 500,000,000.00 (five hundred million); (ii) their appointments as executive directors of any company, including those not covered by the categories mentioned in point (i) above, except for companies that “merely hold” property, equity investments or other assets, and companies whose latest reported sales were Euro 50,000,000.00 (fifty million) or less. For each company in which appointments are held, the following information must be provided: name, address, company registration number or equivalent, and the nature of the appointment (indicating also if directorships are executive, non-executive or independent);

c) the declarations of each candidate confirming acceptance of their nomination and certifying under their personal responsibility:

- the absence of reasons for which they would be ineligible or for which their appointment would lapse pursuant to art. 2382 of the Italian Civil Code;

- possession of the honourability and professionalism requirements established by current and applicable laws and/or regulations;

- possession, if applicable, of the independence requirements established in art. 148.3 of Decree No. 58 dated 24th February 1998 and subsequent amendments, and/or their suitability to serve as an independent director pursuant to the Code of Self-Regulation prepared by the Committee for the Corporate Governance of Listed Companies sustained by Borsa Italiana S.p.A. Lists of candidates that do not comply with the requirements specified in the preceding paragraphs will be treated as if they had not been presented. Information about the lists presented is communicated in the circumstances and on the basis established by current regulations.

Each Shareholder with voting rights (as well as (i) shareholders belonging to the same group, comprising the controlling party, not necessarily a company, as defined in art. 2359 of the Italian Civil Code, and all companies controlled by or under the joint control of that party, or (ii) the members of the same shareholders' syndicate pursuant to art. 122 of Decree No. 58 dated 24th February 1998 and subsequent amendments, or (iii) the shareholders who are otherwise joined in relationships deemed relevant under current and applicable laws and/or regulations) may vote for just one list.

Voting is transparent and not secret. For the purposes of appointing directors in accordance with the following instructions, no account will be taken of lists that do not receive at least half the percentage of votes required by art. 15.2 of the Articles of Association for the presentation of such lists. If no lists are presented, the Shareholders' Meeting resolves in accordance with the majorities established by current legislation.

If just one list is presented, all the members of the Board of Directors will be drawn from that list. The Shareholders' Meeting will appoint any directors remaining to be elected, applying the majorities envisaged by law. If, on the other hand, two or more lists are presented, the Board of Directors is appointed in the following manner:

- a) all the candidates, up to the number decided each time at the Shareholders' Meeting, less one, will be drawn from the list that obtains the majority of the votes cast by the shareholders and appointed as directors in the numerical order in which they are presented on that list;
- b) the remaining number of candidates to be elected will be drawn from the list that obtains the second-largest number of votes and appointed as directors in the numerical order in which they are presented on that list, on condition that such list is not linked in any way, directly or indirectly, with the shareholders who presented or voted for the list that obtained the largest number of votes;
- c) the Directors to be elected who satisfy the independence requirements established in the Articles of Association are drawn from the list that obtains the largest number of votes cast by the shareholders or, to the extent that this is not possible, from that which obtains the second-largest number of votes;
- d) in the event of a voting tie between two or more lists, the candidates on the list presented by shareholders with the greatest total equity interest or, failing this, by the largest number of shareholders, will be elected.

If the composition of the Board of Directors does not comply with the gender balance criterion then, having regard for the order of listing, the candidate from the most represented gender elected last from the list that obtained the largest number of votes (the "Majority List") shall be replaced, in consecutive numerical order, by the first candidate not elected from that list. Application of this replacement procedure will continue until the composition of the Board of Directors complies with the regulations in force at the time concerning gender balance.

If using the list voting mechanism the number of candidates is lower than the minimum number of Directors envisaged in the Articles of Association, or if using the list voting mechanism the required number of candidates from the least represented gender is not reached, the Board of Directors shall be elected and supplemented at the Shareholders'

Meeting, applying the majorities envisaged by law.

If, during the year, one or more directors drawn from the list that obtained the largest number of votes (the “Majority Directors”) cease to serve for any reason, they will be replaced as follows on condition that the majority of the directors elected at the Meeting continues to serve:

a) the Board of Directors will replace the Majority Directors who have ceased to serve by co-opting new directors, pursuant to art. 2386 of the Italian Civil Code, having regard for both the requirement that independent directors must be co-opted if one or more of the Majority Directors who have ceased to serve were independent directors and the requirement to comply with current regulations on gender balance; b) the co-opted directors remain in office until the next Shareholders' Meeting which will either confirm or replace them in the usual manner with the normal majorities, without recourse to the system of list voting described in this article 15.

If, during the year, one or more directors drawn from the list that obtained the second-largest number of votes (the “Minority Directors”) cease to serve for any reason, they are replaced as follows:

a) the Board of Directors will replace the Minority Directors who have ceased to serve by the first unelected candidates on the same list, on condition that they are still eligible and willing to accept the appointment, and that the appointment complies with current regulations on gender balance or, otherwise, by the first eligible and willing candidates drawn in order from that list or, failing this, from the first subsequent list by number of votes cast that achieved the voting quorum referred to in art. 15.2 above; the mandates of these replacements expire at the same time as those of the directors who were serving when they joined the Board;

b) if one or more of the Minority Directors who ceased to serve was an independent director, they must be replaced by other independent directors;

c) if it is not possible to proceed on the basis described above, due to a lack of candidates on the lists or their unwillingness to serve, the Board of Directors co-opts a new director, pursuant to art. 2386 of the Italian Civil Code, who is selected by the Board using the criteria established by law and in compliance with the current regulations on gender balance. The director co-opted on this basis will remain in office until the next Shareholders' Meeting which will either confirm or replace him in the usual manner with the normal majorities, without recourse to the system of list voting described in article 15 of the Articles of Association.

If for any reason the appointment or replacement of one or more directors cannot be accomplished in accordance with the requirements envisaged in this article, the legislation governing the appointment of directors will be applied without following the procedures

described in the above paragraphs. In this case, the candidates must have accepted their nominations and confirmed, under their personal responsibility, the absence of reasons for which they would be ineligible or incompatible, and that they satisfy the requirements established by the applicable regulations and the Articles of Association.

The Issuer is not subject to further rules governing the composition of the Board.

In view of the ownership structure of the Company and the fact that, pursuant to the law and the Articles of Association, the directors are appointed at the Shareholders' Meeting from lists presented by the Shareholders, the Issuer has not considered it necessary to adopt a specific succession plan for its executive directors.

#### **4.2 COMPOSITION OF THE BOARD OF DIRECTORS (PARA. 2.D) OF ART. 123-BIS, TUF)**

At the date of this Report, the composition of the Board is set out in the table contained in attachment 1 to the Report.

The Shareholders' Meeting held on 16th April 2014 appointed the Board with reference to the list presented by Fratelli Ferretti Holding S.r.l. and IM Fashion S.r.l., since no minority lists were presented to the Issuer.

In particular, only one list of candidates for appointment as directors of Aeffe S.p.A. was presented at the registered offices of the Issuer, comprising:

List no. 1 (presented by Fratelli Ferretti Holding S.r.l. and I.M. Fashion S.r.l., holders in total of 61.797% of the share capital):

- 1) Massimo Ferretti;
- 2) Alberta Ferretti;
- 3) Simone Badioli;
- 4) Marcello Tassinari;
- 5) Pierfrancesco Giustiniani;
- 6) Roberto Lugano;
- 7) Sabrina Borocci;
- 8) Marco Salomoni.

The above list, accompanied by the documentation specified in art. 15 of the Articles of Association, was filed at the registered offices and with Borsa Italiana within the time limits established by law and the Articles of Association.

This list obtained approval from 100% of the share capital present and voting at the meeting.

There were no changes in the composition of the Board during 2016.

The personal and professional characteristics of each director are indicated in the nominations presented by Fratelli Ferretti Holding S.r.l. and I.M. Fashion S.r.l., published on the Company's



website and accessible at the address:

<http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita>

### **Maximum number of appointments held in other companies**

The Board has not established general criteria for the maximum number of appointments held in companies listed in regulated markets, banks, finance companies, insurance companies or other large companies, that is deemed compatible with the work performed by its directors and statutory auditors. Nevertheless, the Board has identified such appointments based on the declarations made by the Issuer's directors and statutory auditors.

### **Induction Program**

The Issuer did not prepare a formal training plan for the current Board, appointed in 2014. Nevertheless, acting in a manner consistent with the current provisions of the Code of Self-Regulation and with a view to enabling the directors to perform their role in full awareness, the Chairman of the Board of Directors has consistently helped Board members to obtain and progressively refine their knowledge of the market and the sector concerned, the business of the Group, the risks faced and the system of internal controls, the organizational structure of the Company, its activities and the regulatory framework governing such activities, via specific meetings and other communications to provide them with such information. The Chairman of the Board of Directors has also encouraged directors to make suggestions for innovating and identifying trends, expressing the creativity of all business sectors in the best possible way and guiding them to generate value as a consequence.

During 2016, the Chairman of the Issuer's Board of Directors encouraged and promoted informal meetings with the directors on the sidelines of Board and Shareholders' Meetings; during these meetings, the Chairman explained the new corporate processes and dynamics to the directors, indicating the related changes. Given the presence of Pierfrancesco Giustiniani and Sabrina Borocci, directors, at these meetings, the other directors were also able to benefit from an appropriate update on the regulations governing the Issuer's sector of activities. In addition, given the presence of Roberto Lugano, director with consolidated financial and accounting experience, they also benefited from updates and clarification about that sector of the Issuer's activities.

### **4.3 ROLE OF THE BOARD OF DIRECTORS (PARA. 2.D) OF ART. 123-BIS, TUF)**

The Board met five times during the Year.

The percentage attendance at Meetings by each directors is indicated below:

- Massimo Ferretti; Chairman of the Board of Directors 80%
- Alberta Ferretti; Deputy Chairman of the Board of Directors 40%

- Simone Badioli; Chief Executive Officer 100%
- Marcello Tassinari; Executive Director and General Manager 100%
- Marco Salomoni; Independent Director 100%
- Roberto Lugano; Independent Director 100%
- Pierfrancesco Giustiniani; Non-Executive Director 100%
- Sabrina Borocci; Independent Director 60%

The current composition of the Board of Directors is in line with current regulations governing gender balance.

The average duration of a Board meeting is an hour and a half.

At least five Board meetings are planned for 2017, two of which (10th February and 9th March 2017) have already been held.

In order to ensure that Board members receive all the information and documents needed to make decisions, the Chairman has instructed the secretariat of the Board to send out supporting documentation for the items placed on the agenda for discussion well in advance of the date set for each meeting and, usually, at least 3 days beforehand.

No Board meetings were held in 2016 without the provision of information beforehand.

During Board meetings, the Chairman introduces each individual item on the agenda with, if necessary, assistance from the chief executive officer or the general manager. He then invites the directors to ask related questions and request any clarification needed. After hearing the opinions of the directors and providing any appropriate clarification requested, each item is put to the vote.

Where necessary for the technical and more detailed analysis of agenda items, the Board invites the Issuer's executives to attend meetings in order to provide directly the required clarification.

Pursuant to art. 19.1 of the Articles of Association, the Board exercises the widest powers for the administration of the Company, without any exceptions, and has the right to perform all deeds deemed appropriate for the pursuit and achievement of the Company's objects, with the sole exclusion of those reserved by law for the Shareholders' Meeting.

Pursuant to art. 19.6 of the Articles of Association, the following resolutions cannot be delegated and must be adopted by the Board pursuant to art. 2436 c.c.:

- mergers or spin-off pursuant to arts. 2505, 2505-bis and 2506-ter c.c.;
- opening or closure of secondary offices;
- transfer of the registered offices elsewhere in Italy;
- indication of which directors are the Issuer's legal representatives;
- reduction of capital following withdrawal by a shareholder;

- alignment of the articles of association to reflect compulsory regulatory requirements, without prejudice to the fact that such resolutions can, in any case, also be adopted at an extraordinary shareholders' meeting.

Pursuant to Criterion 1.C.1 of the Code, the Board has sole responsibility for:

- examination and approval of the strategic, industrial and financial plans of the Issuer and the group which it leads, the Issuer's system of corporate governance and the structure of the group;
- assessment of the adequacy of the organization, administrative and financial accounting systems of the Issuer, and those of subsidiaries of strategic importance, prepared by the Managing Directors, with particular reference to the system of internal controls and the management of conflicts of interest;
- granting and revoking the mandates of the Managing Directors, establishing the limits on their powers and how they may be exercised;
- determination, having examined the proposals made by the relevant committee and heard the opinion of the Board of Statutory Auditors, of the remuneration of the Executive Directors and the other directors with special duties, as well as the allocation of the total remuneration due to members of the Board who do not have special duties, if not already decided at the Shareholders' Meeting;
- assessment of the general results of operations, having regard in particular for the information received from bodies with delegated powers, and periodically comparing the results achieved against budget;
- acquisition of firms and equity investments and merger and spin-off transactions and other special operations that may have strategic, economic or financial importance for the Issuer.

As envisaged in art. 19.2 of the Articles of Association and pursuant to art. 150 of Decree No. 58 dated 24th February 1998, the directors report to the Board of Statutory Auditors, at least every quarter, on the work performed and on the principal economic, financial and equity transactions carried out by the Company and its subsidiaries, as well as on the transactions in which they have an interest, whether personally or on behalf of third parties, or which were influenced by the party which directs and coordinates the activities of the Company. Such information is communicated verbally by the directors to the Board of Statutory Auditors, during special meetings with the directors or at the meetings of the Board of Directors or the Board of Statutory Auditors envisaged by art. 2404 of the Italian Civil Code, or by the submission of written reports which is noted in the minute book of the Board of Statutory

Auditors envisaged by art. 2421.5 of the Italian Civil Code.

The Board is therefore responsible for the examination and prior approval of the transactions of the Issuer and its subsidiaries when they have strategic, economic or financial importance for the Issuer.

The Issuer complies via informal operating practices with the requirements of Principle 1.P.2 of the Code regarding the obligation placed on members of the Board to act and resolve in an informed and independent manner, pursuing the objective of creating value for the shareholders.

In application of Criterion 1.C.1.f), the Board has resolved to retain the following activities for itself: acquisition of firms and equity investments, merger and spin-off transactions and other special operations that may have strategic, economic or financial importance for the Issuer.

Each quarter at meetings held to approve financial information, the Board assesses the adequacy of the organization and accounting systems of the Issuer put in place by the executive directors, who report to the other directors on the functioning of the system of internal controls and the management of conflicts of interest. In view of the fact that such information is provided periodically and that, to date, no critical issues have emerged, the above reports from the executive directors are not documented in the Board minutes, although they would be if they highlighted problems to be addressed by the Board.

Similarly, the Board evaluates the organization, administrative and financial accounting systems of the subsidiaries of strategic importance put in place by their managing directors; the information needed for this assessment is gathered by employees reporting to the Issuer's general manager, who then discusses it directly with the managing directors of the subsidiaries of strategic importance. He then presents the information obtained to the Board on a quarterly basis. Here too, in view of the fact that such information is provided periodically and that, to date, no critical issues have emerged, the above reports are not documented in the Board minutes, although they would be if they highlighted problems to be addressed by the Board.

At its meetings, the Board assesses the general results of operations, having regard in particular for the information received from the directors and committees, and periodically compares the results achieved against budget.

For an understanding of the general principles for identifying transactions that have strategic, economic or financial importance for the Issuer, reference is made to the criteria identified by the Board in the procedure governing the following types of related-party transaction: Transactions involving Minor Amounts, Transactions of Greater Significance, Transactions of Lesser Significance, and Routine Transactions.

Each year the Board of Directors assesses the size, composition and functioning of the Board and Board committees. This assessment, usually made at the meeting held to approve the draft financial statements, was made at the meeting held on 10th March 2016.

At the meeting held on 10th March 2016, the Board determined that there were no issues with the size, composition or functioning of the Board or its committees, given: i) the adequate number of directors; (ii) the adequate number of independent and non-executive directors with specific legal knowledge (Giustiniani and Borocci) and finance, administration and accounting knowledge (Lugano and Salomoni); (iii) the duration of each directorship over a three-year renewable term, which allows directors enough time for analysis and to obtain a sufficiently complete knowledge of the origins and development of the business and its activities.

The Board also took note of the provisions of Application Criterion 1.C.1, letter h, and - given the specific skills of each individual and the comprehensive professional characteristics of the members taken together - did not deem it necessary to make recommendations to the Shareholders' Meeting about the identification of any supplementary professional and managerial skills not already available; if necessary, the Board reserves the right to notify the shareholders in future about any professional skills whose presence on the Board is considered appropriate.

At the meeting held on 10th March 2016, the Board also verified the continued independence of Marco Salomoni, Sabrina Borocci and Roberto Lugano.

In compliance with the Code of Self-Regulation, directors accept appointment when they believe themselves able to dedicate the time necessary to perform diligently the tasks required by the nature of their role. This assessment takes account of their membership of Board committees and the commitment associated with their own working and professional activities, as well as the number of and commitment associated with any other directorships and audit appointments held in other companies, considering the applicable regulations. Directors ensure that they continue to comply with the above conditions throughout the period of their mandate.

Furthermore, aware of the inherent responsibilities associated with their role, directors are required to keep themselves constantly informed about the principal legislative and regulatory changes affecting the Company and the performance of their functions.

The directors align their behavior with the requirements of the Code of Ethics, the Code of Internal Dealing and all instructions by which the Company governs the actions of its directors; just as the members of the Board of Statutory Auditors, the directors keep strictly confidential the documents and information that come to their attention by virtue of their office.

The Shareholders' Meeting has not granted advance relief from the no-competition requirements laid down in art. 2390 c.c. to the Issuer's directors.

#### **4.4 EMPOWERED BODIES**

##### **Managing Directors**

The Board meeting held on 13th May 2014 granted the Chairman, Massimo Ferretti, acting as sole signatory, all powers for the implementation and proper performance of accident-prevention activities and, therefore, granting him all the widest powers of ordinary and extraordinary administration to be exercised freely as sole signatory, without limitations on amount or expenditure, with the exclusion of transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the sale of trademarks used in pursuit of the company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 2,000,000; as sole signatory, the power to (i) organize the company's processing activities, giving the instructions and directives needed in order to protect the health and safety of workers and, in the case of violations, taking the proper disciplinary action; (ii) adopt all measures deemed necessary to safeguard health and safety in the workplace, including the performance of all urgent and non-deferrable work needed to establish or restore safe conditions in the workplace; (iii) sign contracts for purchasing, working on or exchanging any goods, services or intellectual property in any form that may be required in order to implement, manage correctly, improve or modify the work performed to safeguard the health and safety of workers.

On the same date, the Board withdrew the powers for the implementation and proper performance of accident-prevention activities previously granted to Alberta Ferretti and, consequently, granted her all the widest powers of ordinary and extraordinary administration to be exercised freely as sole signatory, without limitations on amount or expenditure, with the exclusion of transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the sale of trademarks used in pursuit of the company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 2,000,000; (v) the organization of processing activities by giving instructions and directives that protect the health and safety of workers and taking disciplinary action in the case of violations of the accident-prevention rules; (vi) the adoption of all measures deemed necessary to safeguard health and safety in the

workplace, including the urgent and non-deferrable work needed to establish or restore safe conditions in the workplace; and (vii) the signature of all contracts for purchasing, working on or exchanging any goods, services or intellectual property in any form required in order to implement, manage correctly, improve or modify the work performed to safeguard the health and safety of workers.

On 13th May 2014, the Board also withdrew the powers for the implementation and proper performance of accident-prevention activities previously granted to Simone Badioli and, consequently, granted him all the widest powers of ordinary and extraordinary administration to be exercised freely as sole signatory, without limitations on amount or expenditure, with the exclusion of transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the sale of trademarks used in pursuit of the company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 2,000,000; (v) the organization of processing activities by giving instructions and directives that protect the health and safety of workers and taking disciplinary action in the case of violations of the accident-prevention rules; (vi) the adoption of all measures deemed necessary to safeguard health and safety in the workplace, including the urgent and non-deferrable work needed to establish or restore safe conditions in the workplace; and (vii) the signature of all contracts for purchasing, working on or exchanging any goods, services or intellectual property in any form required in order to implement, manage correctly, improve or modify the work performed to safeguard the health and safety of workers.

By a resolution adopted on 13th May 2014, the Board revoked all the powers previously granted to Marcello Tassinari, director and General Manager of the Aeffe Group, and granted him the following operational powers, later clarified - in order to provide the maximum possible operational autonomy - at the meeting held on 10th February 2016, to be exercised as sole signatory, without any limitation on amount or expenditure, and with the express right to delegate:

- a) set down, modify, extend and terminate all types of purchase and sale contract, with all appropriate clauses including recourse to arbitration, that are necessary or useful for the development of the company's industrial and commercial activities, including by mere and incomplete way of example contracts and agreements for the hire of assets, transportation, the supply of work, services and goods, the free use of assets, leases and rentals, business rentals, agency work, franchises, construction work and the provision of services of all

- kinds, with the sole exclusion of transactions involving (i) the purchase, sale, exchange or contribution of property subject to registration; (ii) the purchase, sale, exchange or contribution of lines of business that include property subject to registration; (iii) the licensing and sale of trademarks used in pursuit of the company's objects; (iv) the purchase, sale, exchange or contribution of lines of business or investments in companies with a value in excess of € 2,000,000; sign the above contracts with the public administration, public and private bodies and, in particular, with the national railways;
- b) act in the name and on behalf of the Company to grant and cancel voluntary and court-ordered mortgages in favor of third parties, doing everything required by the Records Office in this regard;
  - c) give and sign guarantees and sureties in favor of the subsidiaries of Aeffe S.p.A. and, in all cases, in favor of companies belonging to the Aeffe Group and/or associated with Aeffe S.p.A.;
  - d) request, negotiate and sign contracts for bank lines of credit and all other contracts relating to loans requested from third parties;
  - e) request, negotiate and sign contracts for the sale of receivables to factoring companies and/or third parties operating in the same sector;
  - f) represent the Company in relations with banks, customers, suppliers, agents and third parties in general, sign correspondence, pay accounts and invoices and make any related settlements;
  - g) sign communications with the companies register, chambers of commerce, the Bank of Italy, Consob, the Competition Authority, the Stock Exchange, ministries and other public and private bodies and offices concerning requirements placed on the Company by laws, regulations or regulatory or administrative instructions, sign and present declarations and communications concerning value-added tax, registration taxes, Ires, Irap and all other direct and indirect taxes, ICI declarations, INVIM declarations, as well as any and all attachments or attestations relating to the above deeds;
  - h) sign with appropriate clauses, including arbitration clauses, amend and terminate, transfer and acquire for disposal, contracts for the purchase, sale or exchange of know-how, secrets and research, including designs, plant and engineering works in general;
  - i) carry out all the deeds necessary to register patents and file and register trademarks including, by way of example, applications for corrections, amendments, extensions to the secret, divisions; propose or resist administrative objections, interference, administrative appeals, carry out in general all other deeds that may be necessary and useful for requesting,



- obtaining and maintaining patents and/or trademarks of the Company, sign all deeds necessary for the exercise of the above powers, appointing for this purpose patent correspondents in Italy and abroad and granting them the related powers, represent the Company in any opposition procedures, whether as plaintiff or as defendant;
- j) carry out with the Public Administration, public bodies and offices all the deeds and transactions necessary to obtain concessions, licenses and authorizations in general, set down and sign regulations, conventions, acts of submission and all other preparatory deeds for such measures; fulfill all the related requirements, including those concerning taxes on production and consumption, land and monopoly levies;
  - k) sign the currency declarations for import and export transactions issued by the Bank of Italy and authorized banks, arranged for the related currency settlements and, in particular, sign the forms requesting the application of simplified customs procedures;
  - l) transfer currency amounts and payments received from abroad from bank to bank, give instructions to banks for the use of such amounts and for the processing of currency declarations regarding export transactions;
  - m) carry out, in any currency, the transactions described below with banks and finance companies in general; pay in any amounts to the Company's current accounts with any bank or finance company; issue checks with or without special clauses or restrictions; use in any way the amounts to the credit of the Company or otherwise available in such accounts, whether by drawing sums against a simple receipt, by the issue of checks, including checks for the benefit of the Company, by payment orders or requests for the issue of bankers' drafts; overdraw the Company's current accounts to the extent of agreed lines of credit; cash drafts and checks of all kinds and in any currency, with the usual reservations; request and collect blank check books for current accounts opened in the Company's name, giving receipts; order the sale and purchase of currency for all import and export transactions;
  - n) arrange insurance contracts of all kinds, signing the related policies with the right to agree and demand, in the event of losses, the related indemnities, giving receipt to those that require it and agreeing in settlement all other indemnities due to third parties for any losses arising;
  - o) make deposits for any reason and withdraw them from post and telegraph offices, banks, central banks, the tax authorities, the central and branch offices of Cassa Depositi e Prestiti, customs, the national and private railways, transport and shipping firms etc.; collect from post and telegraph offices, customs, railways, transport and shipping firms and, in

- general, from any public offices and any company or premises, payment orders, packages, letters including registered and insured letters declaring their value, goods, cash etc., giving receipts and releases from responsibility;
- p) represent the Company in dealings with local or sector industrial associations, taking part in meetings with the right to reach and sign agreements with them;
  - q) demand and give receipts for amounts, credits, earnings, interest, dividends, checks and payment orders issued by whosoever in favor of the Company, endorse such securities over to banks, protest amounts not honored and arrange for recalls;
  - r) represent the Company before civil, administrative and judicial authorities and bodies at all levels, as well as before the tax authorities; represent the Company in any and all fiscal disputes before any authority or office, including the tax commissioners at all levels, census and customs offices, and panels of experts, with the power to sign appeals, sign and present declarations and communications concerning IRES, IRAP, VAT, registration taxes and all other direct and indirect taxes, ICI declarations and any and all attachments or attestations concerning the above deeds; propose and accept settlements, promote legal claims, appear as plaintiff or defendant, proposing all appropriate deeds and represent the Company in creditors' meetings, make proposals or obtain registration of amounts due in bankruptcy and other court supervised procedures; accept creditors' arrangements and demand the related amounts, settle any amounts or cases outstanding, agree to arbitration and mediation, including those with unappellable rulings, ensure the enforcement of judgments, defer, refer and accept sworn oaths, promote the attachment or seizure of assets or other forms of credit protection in relation to debtors and third parties, and revoke the same, appoint solicitors, lawyers and experts, revoke such appointments and elect domicile;
  - s) sign declarations of the remuneration subject to withholding taxes to be given to third parties pursuant to and for the effects of art. 3.1 of Decree No. 600 dated 29th September 1973;
  - t) represent the Company with the State Tax Authorities, the central and branch offices of Cassa Depositi e Prestiti, the State, Regional, Provincial and Municipal Treasuries, so that in the name of and on behalf of the Company he may carry out any transaction involving the payment of release of provisional and final guarantee deposits, collect payment mandates for whatever reason issued or to be issued in favour of the Company by State or near-State entities, giving good receipt without any limitation of amount, exonerating the above administrations from all responsibility, stating that the Company reserves the right to

and agrees to communicate to the above competent authorities any changes in this mandate, exonerating them from any responsibility for the untimely notification of any changes to it;

u) arrange to hire and dismiss executives, clerical and factory workers, adopting in relation to employees all the measures deemed necessary and useful, sign employment contracts and determine remuneration levels.

v)

Simone Badioli, as the Chief Executive Officer of the Issuer, is identifiable as the person primarily responsible for the management of the business. In this role, Simone Badioli receives constant support from Marcello Tassinari, the General Manager.

With regard to the positions held by Simone Badioli, the *interlocking directorate* situation envisaged in Application Criterion 2.C.5 does not apply, since Simone Badioli (A) is not a director of any other issuer (B) is not a director of any companies not belonging to the same group, in which the *chief executive officer* is a director of the Issuer.

#### **Chairman of the Board of Directors**

Operational powers have been granted to the Chairman in view of Massimo Ferretti's central role and position within the organization of the Company and the Aeffe Group.

Massimo Ferretti has always promoted the family brand name and is principally responsible, together with Alberta Ferretti, for the growth strategy of Aeffe and the creation of the Aeffe Group.

The Chairman is not the party that controls the Issuer pursuant to art. 93 TUF. The Issuer is controlled by Fratelli Ferretti Holding S.r.l., a company owned jointly by Massimo Ferretti and Alberta Ferretti.

The Chairman does not perform the role of Chief Executive Officer.

#### **Executive committee (para. 2.d) of art. 123-bis, TUF)**

The Company has decided not to establish an Executive committee.

#### **Information provided to the Board**

At the Board meetings held at least every quarter, the executive directors report to the Board on the work performed under the mandates granted to them.

#### **4.5 Other executive directors**

There are no directors who perform executive activities, other than the persons indicated as executive directors in section 4.4 above.

#### **4.6 Independent directors**

When appointing the Board of Directors on 16th April 2014, the shareholders that presented lists also indicated which directors were independent; their assessment was adopted on 13th

May 2014, at the first Board meeting held subsequent to appointment of the new Board. .

Roberto Lugano, Marco Salomoni, Sabrina Borocci and Pierfrancesco Giustiniani are non-executive directors since they do not hold operational mandates and/or perform executive functions within the business. Consistent with Principle 2.P.2 of the Code, the non-executive directors bring their specific skills to Board discussions, contributing to the making of balanced decisions and taking special care in the areas where conflicts of interest may arise.

At the Board meeting held on 10th March 2016, the Board verified the existence and maintenance of the independence of the non-executive directors, Marco Salomoni, Sabrina Borocci and Roberto Lugano, pursuant to para. 4 of art. 147-ter of Decree 58/1998, the Code of Self-Regulation for Listed Companies and the Stock Exchange Regulations.

In particular, the above directors do not have and have not recently had any direct or indirect relations with the Company, or parties related to it, that might currently influence the independence of their judgment, nor do they find themselves in any of the situations whereby a non-executive director may not be deemed independent.

The Issuer arranged to disclose the outcome of the Board assessment of the independence of the above-mentioned directors in a press release communicated to the market.

On 22nd March 2016, the Board of Statutory Auditors checked the correct application of the verification criteria and procedures adopted by the Board for evaluating the independence of its members, considering that such criteria and procedures were applied correctly, as set out in the following extract from the annual report of the Board of Statutory Auditors to the shareholders' meeting: *“The Board of Statutory Auditors has made the assessments required of it, identifying proper application of the criteria and procedures adopted by the Board of Directors to verify the independence status of the individual directors and compliance with the requirements for the composition of the Board taken as a whole”*.

The minutes of the Board of Statutory Auditors dated 22nd March 2016 in fact state, *“In the context of the duties assigned and in compliance with the Code of Self-Regulation prepared, on the recommendation of Borsa Italiana, by the Committee for the Corporate Governance of listed companies (art. 3.C.5), the Board of Statutory Auditors has checked proper application of the verification criteria and procedures adopted by the Board in order to assess the independence of individual directors. These procedures make reference to the information provided by each person concerned and/or available to the Issuer, as well as to other evidence potentially indicating that individual directors might not be independent”*.

The independent directors did not hold any formal meetings during the year without the presence of other directors. The independent directors are members of the Audit Committee and the Compensation Committee; accordingly, they are always able to discuss matters

following the close of these committee meetings and did not deem it necessary to call any formal separate meetings.

The independent directors have agreed to maintain their independence for the duration of the mandate granted to them.

#### **4.7 Lead independent director**

Given that the position of Chairman of the Board of Directors of the Issuer is held by a person appointed by the majority shareholder of the Issuer, on 13th May 2014 the Board appointed Sabrina Borocci as Lead Independent Director, pursuant to Criterion 2.C.3 of the Code.

The Independent Directors liaise with the Lead Independent Director in order to enhance their contribution to the activities and functioning of the Board; this person is a point of reference and coordination for the requests and contributions of the Independent Directors and, additionally, works with the Chairman of the Board of Directors to ensure that the directors receive complete information on a timely basis.

Among other powers, the Lead Independent Director may - acting alone or upon request from other directors - call meetings attended solely by the Independent Directors (known as Executive Sessions of the Independent Directors) to discuss matters considered of interest, on a case-by-case basis, regarding the functioning of the Board of Directors or the management of the business.

During the year, in this role, Sabrina Borocci coordinated the requests made to the Board by the non-executive and independent directors, ensuring that such requests were taken into proper consideration during the discussions.

## 5 DEALING WITH CORPORATE INFORMATION

The Code requires directors and statutory auditors to keep confidential the documents and information obtained in the performance of their duties, and to comply with the procedures adopted by the Issuer for the internal management and external communication of such documents and information.

Consistent with this requirement and the provisions contained in paras. 1 and 12 of art. 114 and art. 115-bis, TUF, as well as in arts. 66 et seq. and 152-bis et seq. of the Issuers' Regulation, since March 2007, the Issuer has also adopted a code of conduct in relation to privileged information ("Code on Privileged Information") and has established (in July 2007) a register of persons with access to privileged information in view of their job, function or professional activities.

Such registers have been properly established for both the Issuer and its subsidiaries.

In addition, in compliance with para. 7 of art. 114, TUF, and arts. 152-sexies et seq. of the Issuers' Regulation, on 26th March 2007 the Board also approved a code of conduct for internal dealing (the "Code on Internal Dealing") which identifies the so-called "relevant persons" and governs the way their transactions in shares issued by the Issuer, or other related financial instruments, are communicated to Consob and the general public. Furthermore, pursuant to para. 3.p) of art. 2.2.3 of the Market Regulation, the Code also bans "relevant persons" from carrying out transactions in the Issuer's shares and/or financial instruments during the so-called black-out periods i.e. during the 30 calendar days prior to communicating to the public approval of the draft financial statements and the six-monthly report, and during the 15 calendar days prior to the approval of quarterly reports.

In order to implement in full the Code on Privileged Information, and pursuant to art. 2.6.1, Chapter 2.6 of the Market Regulation, the Board has appointed Giulia Degano as Contact Officer, and Annalisa Aldrovandi as her deputy, and tasked them to comply with the legislative and regulatory requirements for Contact Officers, with particular reference to the matters of internal dealing and the communication of privileged information, as well as the requirements for communications to the market described in Chapter 2.6 of the Market Regulation and, more generally, the requirements of the Code on Internal Dealing and the Code on Privileged Information.

Following the entry into force of the legislation that adopted Directive 2014/57/EU dated 16th April 2014 on the criminal penalties for market abuse (MAD II), as well as the provisions of EU Regulation 596/2014 of the European Parliament and of the Council of 16th April 2014 on market abuses, the Issuer revised the internal regulations on internal dealing, privileged

information and the related register of persons with access to that information, and prepared procedures for the dissemination of privileged information and for managing the register of persons with access to it; these procedures were approved and adopted at the Board meeting held on 28th July 2016.

6 **BOARD COMMITTEES (para. 2.d) of art. 123-bis, TUF)**

These Committees are internal to the Board, carrying out a consultative role and making recommendations, thereby improving the functioning of the Board and its ability to provide strategic guidance.

Consistent with Principles 7 and 8 of the Code and para. 3, letters m), n) and o), of art. 2.2.3 of the Market Regulation, on 13th May 2014 the Board appointed the members of these Committees.

No Committees have been established to cover two or more of the functions envisaged in the Code.

The functions of the Committees have not been allocated in a manner different to that called for by the Code, and the Board has not reserved for itself any of the functions of one or more Committees.

The composition and functioning of the Committees is described in sections 8 and 10 of the Report.



## **7 NOMINATIONS COMMITTEE**

At the date of this Report, the Board has not established an internal Nominations Committee, since this is not deemed necessary. This decision reflects the fact that the current and applicable regulatory requirements and the provisions of the Articles of Association - including, in particular, the mechanism of nominations via a list voting system - ensure a suitable level of transparency for the procedure of selecting and nominating candidates.

## 8 COMPENSATION COMMITTEE

The Compensation Committee comprises non-executive directors, the majority of whom are independent. Its members are:

- Sabrina Borocci - Chairman (independent director);
- Roberto Lugano (independent director);
- Pierfrancesco Giustiniani (non-executive director).

Among the three members indicated above, the Board has recognized that Roberto Lugano has vast finance and accounting experience.

The role of the Compensation Committee is to make proposals to the Board, in the absence of the directors involved, concerning the remuneration of the executive directors and those with specific responsibilities, as well as - at the request of the executive directors - to establish criteria for the remuneration of the Company's senior managers, including any stock-option plans or allocations of shares, as well as any short and medium/long-term MBO bonuses.

In compliance with Application Criterion 7.C.3, the Compensation Committee periodically checks the criteria adopted for the remuneration of executives with strategic responsibilities, monitors their application based on information provided by the executive directors and makes general recommendations to the Board on this subject.

The Committee met once during the year. At that meeting, when the Compensation Report was approved, the Committee determined the compensation policy adopted to be appropriate and consistent with the needs and organization of the Issuer. In addition, noting that the long-term incentive plan would expire on 31st December 2016 and that the mandate of the Issuer's Board would expire at the Shareholders' Meeting called to approved the financial statements as of 31st December 2016, the Committee deemed it appropriate to wait for the appointment of a new Board and a new committee before studying and proposing any new incentive plans. The duration of the Committee meeting was an hour and a half. All members attended the meeting. Committee meetings are coordinated by the Chairman and have been properly minuted; the minutes are recorded in the minute book.

At least two meetings are planned for 2017, one of which (9th March 2017) has already been held.

Further information about the Compensation Committee is provided in the relevant parts of the compensation report published pursuant to art. 123-ter, TUF.

## **9 REMUNERATION OF DIRECTORS**

Information on this topic is provided in the relevant parts of the compensation report published pursuant to art. 123-ter, TUF.

This said, the Shareholders' Meeting held on 16th April 2014 authorized the total remuneration payable to the independent and non-executive directors; at the Board meeting held on 28th July 2014, acting on a proposal from the Compensation Committee supported by the Board of Statutory Auditors, the Board established the remuneration payable to each non-executive director, each executive director and each director with specific responsibilities.

## 10 CONTROL AND RISKS COMMITTEE

The Control and Risks Committee, which is the same as the Audit Committee, comprises three non-executive directors, the majority of whom are independent. Its members are:

- Roberto Lugano - Chairman (independent director expert in accounting and financial matters);
- Sabrina Borocci (independent director);
- Pierfrancesco Giustiniani (non-executive director).

The Audit Committee has a consultative function and makes recommendations to the Board concerning:

- (a) the definition of guidelines for the system of risk management and internal controls, so that the principal risks faced by the Company and the Group are properly identified and adequately measured, managed and monitored, as well as criteria for the compatibility of such risks with the healthy and proper management of the business;
- (b) the decisions to be taken on the appointment, removal, remuneration of and allocation of resources to the internal audit manager;
- (c) the identification of the executive director responsible for supervising the functioning of the system of internal controls;
- (d) the assessment, each year or more frequently, of the effective and proper functioning of the system of internal controls;
- (e) the description in the report on corporate governance of the key elements of the system of internal controls.

The Audit Committee also:

- (a) assesses, together with the executive responsible for preparing the Company's accounting documentation and with the auditing firm, the proper application of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- (b) on request from the Chairman, expresses opinions on specific matters concerning identification of the principal business risks, as well as on the design, implementation and management of the system of internal controls;
- (c) examines the work programs prepared by the internal control manager and the periodic reports prepared by him;
- (d) assesses the proposals presented by auditing firms with a view to obtaining the related appointment, and assesses the plan of the audit and the results set out in the auditors' report and any letter of recommendations;

- (e) monitors the effectiveness of the auditing process;
- (f) if deemed necessary, may request the Internal Audit function to perform checks in specific operational areas, informing at the same time the Chairman of the Board of Statutory Auditors.

The Audit Committee coordinates its work with the Board of Statutory Auditors and the internal control managers, reporting at least every six months to the Board at the time of approving the annual financial statements and the six-monthly report. The meetings of the Audit Committee are attended by the Chairman of the Board of Statutory Auditors or by another serving auditor designated by him.

The Board has also appointed an internal control manager, Stefano Di Biase, who reports periodically to the Audit Committee (and to the Board) about the work performed and helps the Committee to carry out its functions and duties.

The Committee met seven times during the year. The average duration of the meetings is an hour and a half. At least five meetings are planned for 2017, one of which (9th March 2017) has already been held.

Invited by the Chairman, the manager responsible for preparing the consolidated financial statements and the external audit managers also attended a number of meetings in order to provide information about the matters on the agenda, while the Contact Officer attended to provide accurate information about the principal new rules introduced by EU Regulation 596/2014 on market abuses and Directive 2014/57/EU on the criminal penalties for market abuses.

The committee meetings were properly minuted and recorded in the minute book.

All meetings were attended by the Issuer's Chairman of the Board of Statutory Auditors or by an authorized Serving Auditor.

The Audit Committee has right of access to the information and corporate functions necessary for the performance of its tasks, and may make use of external consultants, to the extent established by the Board (*Application Criterion 5.C.1.e*). If deemed necessary, the Committee may ask the Board to make available to it the financial resources deemed appropriate in order to perform its tasks.

The Committee has reported to the Board every six months on the work performed, as well as on the adequacy of the risk management and internal control system.

## **11 RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Issuer's Board is aware that the system of risk management must be considered together with the system of internal controls over the financial reporting process. The system of internal controls comprises all the operating procedures designed to ensure the credibility, accuracy, reliability and timeliness of financial information, via an appropriate process for the identification, measurement, management and monitoring of the principal risks. The methodology followed when developing the control model was based on the Co.So Report's model, accepted at an international level, and the guidelines issued by relevant associations (e.g. Andaf).

In order to identify the relevant business areas, the executive responsible made use of the risk assessment prepared by the internal control manager together with the Audit Committee. In particular, the risk management and internal control system comprises a set of rules, procedures and organizational structures that ensure the healthy and proper management of the business, consistent with the established objectives, via the adoption of appropriate procedures to identify, measure, manage and monitor the principal control risks. An effective risk management and internal control system is based on principles that require business activity to comply with the applicable internal and external regulations, and be traceable and documented, that require decision-making powers to be assigned and exercised in a manner commensurate the related levels of responsibility and the significance and/or importance of the underlying economic transactions, that require segregation between the persons who take or implement decisions, those who account for the transactions decided and those called upon to carry out the checks required by law and the system of internal controls, and that require confidentiality and compliance with the privacy regulations.

### **DESCRIPTION OF THE PRINCIPAL CHARACTERISTICS OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM RELATING TO THE PROCESS OF FINANCIAL REPORTING**

#### **a. Steps in the risk management and internal control system relating to the process of financial reporting**

The model envisages the identification of risks that might compromise the effectiveness and efficiency of processes, the reliability of reported information and compliance with the applicable rules and regulations, as well as the identification of controls that mitigate these risks.

The risks identified in relation to financial reporting concern the following accounting assertions:

- Existence: the assets and liabilities of the company exist at a given date. All recorded transactions took place during the period.
- Completeness: all transactions and all accounts that should be included in the financial statements have been included.
- Rights and Obligations: the assets are owned by the company and the liabilities reflects its obligations at a given date.
- Accuracy and Validity: the assets, liabilities, revenues and costs reported in the financial statements are stated for their correct amounts in the appropriate accounts.
- Presentation and Disclosure: the information presented in the financial statements is properly classified and described.

The key processes and related controls, devised with reference to the risks associated with the above accounting assertions, are documented using a risks/controls matrix prepared for the Issuer and other group companies of strategic significance, in order to identify and evaluate such controls. These matrices are used to identify any control weaknesses, in order to assess the need for additional checks designed to mitigate any risks that might prevent achievement of the reporting objectives.

The model envisages the performance of specific tests throughout the year to check that the parties concerned have actually applied the control procedures mentioned above.

The model envisages a flow of information between the various parties involved in the system of internal controls. This includes preparation of a document summarizing the results of the monitoring activities carried out during the year, and the action proposed to eliminate any weaknesses found.

#### **b. Roles and functions involved**

The system used for the management and control of financial information is managed by the Executive responsible for the preparation of accounting and corporate documentation. This person coordinates the various phases involved, such as planning, implementation, monitoring and updating.

In particular, the role and responsibilities of the Responsible Executive include internal verification of the proper functioning of the processes/accounting flows that are part of this person's operational responsibilities, the completeness and reliability of the information flows, and the adequacy and effective application of the related controls. The Responsible Executive checks all documents and information containing final accounting data relating to the economic and financial position.

The Responsible Executive is required to report periodically to the Audit Committee, the

Board of Statutory Auditors and the Supervisory Board about the work performed to check the system of internal controls, and about the results of the assessment work carried out in support of the attestations and declarations made.

In particular, the Responsible Executive exchanges information, both formally and informally, with the Issuer's Audit Committee and Supervisory Board.

In this regard, the Issuer has appointed the Chief Financial Officer and General Manager of the group as the Responsible Executive. Given the position and role of this person, all appropriate operational and managerial powers have been granted to him, together with significant financial autonomy (see para. 11.6).

During the year, taking account of information received from the Audit Committee, the Board assessed the adequacy, effectiveness and proper functioning of the system of internal controls. This assessment was carried out by analyzing the results of the various checks performed to verify the credibility, accuracy, reliability and timeliness of financial information. No critical issues were identified.

The following parties implement the risk management and internal control system:

the Board of Directors

the Control and Risks Committee (Audit Committee)

the Chief Executive Officer, as the director responsible for supervising the functioning of the risk management and internal control system

the Board of Statutory Auditors

the Firm of Legal Auditors

the Supervisory Body

the Manager of the Health and Safety Function

the Executive responsible for preparing the Issuer's accounting documentation

the Internal Audit Manager

The Issuer's risk management and internal control system includes a system of risk governance that is properly managed and subjected to audit by both internal and external professionals:

- Risk assessment model complete with preliminary analysis of risks and mitigating actions relating to initiatives deemed to be of strategic significance in the context of the Issuer's strategic plan; the significance of risks, classified into categories and subcategories, is determined based on the probability of occurrence and the related economic and other impacts, including market share, competitive advantage and reputation; the assessment is made in terms of inherent risk, without considering the



effect of mitigating actions, and after considering the actions taken to reduce the probability that the risk event will occur and/or to limit its damaging impact;

- Investor Protection Model (Law 262/05) - regarding the organization, formalization and verification of the adequacy and functioning of the administrative-accounting procedures that underly the preparation of the corporate disclosures of the Issuer and the Group;
- Organization, Management and Control Model (Decree 231/01) - regarding the administrative responsibilities of legal persons;
- Occupational Health and Safety (Decree 81/2008), managed by specific professionals employed by the Issuer.
- Management of IT System Security. The system includes controls for the protection of personal data (Decree 196/2003 and subsequent amendments and additions).

Specific information flows have been implemented between the Board, General Management and the Supervisory and Control Bodies in order to communicate promptly any potential risk situations identified, as well as the outcome of the assessments and checks carried out by the responsible functions.

#### **11.1 DIRECTOR RESPONSIBLE FOR THE SYSTEM OF INTERNAL CONTROLS**

The Board has appointed an executive director responsible for supervising the functioning of the system of internal controls (*Application Criterion 8.C.1. b*) The name of this director is Simone Badioli. Working in coordination with the Internal Audit function, his task is to ensure identification of the principal business risks and operation of the risk management internal control system, having regard for the characteristics of the Group's activities, and to report any issues found to the Audit Committee and the Board.

The executive director responsible for the system of internal controls: (i) considering the nature of the activities of the Issuer and its subsidiaries, has identified the principal business risks and periodically drawn them to the attention of Board members after the close of Board meetings; (ii) has implemented the guidelines established by the Board, via the design, development and management of the system of internal controls and by checking its overall adequacy, efficiency and effectiveness; (iii) has adapted the system to changes in the legislative and regulatory background; (iv) has recommended to the Board the appointment of an internal control manager. He has full powers to request this manager to perform checks in specific operating areas and on compliance with internal rules and procedures for the conduct of business transactions, informing at the same time the Chairman of the Board, the Chairman of the Audit Committee and the Chairman of the Board of Statutory Auditors.

In addition, if he deems it necessary and/or appropriate, the above director may report on a timely basis to the Audit Committee (or the Board) on any problems and issues arising in the performance of his activities, or otherwise coming to his attention, so that the Audit Committee (or the Board) can take appropriate action.

Since no problems or issues arose in the performance of his activities during 2016, the above director did not send any communications of this type to the Board or the Audit Committee.

## **11.2 INTERNAL CONTROL MANAGER AND MANAGER OF THE INTERNAL AUDIT FUNCTION**

The Board has appointed Stefano Di Biase as the internal control manager, acting on a recommendation from the executive director appointed to supervise the functioning of the system of internal controls.

Consistent with corporate policy, the Board has not allocated any specific remuneration to the internal control manager.

The internal control manager has direct access to all the information needed for the performance of his duties (*Application Criterion 8.C.6.c*); he has reported on his work to the Audit Committee and the Board of Statutory Auditors (*Application Criterion 8.C.6.e*); he has also reported on his work to the executive director appointed to supervise the functioning of the system of internal controls (*Application Criterion 8.C.6.e*).

The internal control manager is on the staff of the Director of Administration, Finance and Control and is also the manager of the Management Control Office.

The Issuer's Internal Audit Manager, who reports to the Director of Administration, Finance and Control, is Stefano Di Biase.

As manager of the internal audit function, his role - working in compliance with international standards - is to check, on an ongoing basis and in relation to specific requirements, the adequacy and operation of the risk management and internal control system by implementing an audit plan approved by the Board of Directors following a structured analysis of the principal risks. The Internal Audit Manager has direct access to all the information needed in order to carry out his duties, which include:

preparation of periodic reports containing adequate information about his activities, on the manner in which risks are managed, and on application of the plans defined for their containment; these periodic reports contain an assessment of the suitability of the risk management and internal control system;

timely preparation of reports on events of particular significance;

submission of the above reports to the Chairmen of the Board of Statutory Auditors, the Control and Risks Committee and the Board of Directors, as well as to the director responsible for supervising the risk management and internal control system; checking, in the context of the audit plan, the reliability of IT systems and, in particular, the accounting systems.

During 2016, the Internal Audit Manager carried out the planned activities on an ongoing basis. These essentially included (i) the program of independent monitoring agreed with the [Responsible Executive](#) in the context of the Law 262 model (ii) the Audit Plan for 2016.

Based on the information obtained and the work performed, no significant anomalies have been identified and no significant indicators of internal control weaknesses have been found.

### **11.3 ORGANIZATIONAL MODEL PURSUANT TO DECREE 231/2001**

Among the requirements for obtaining and maintaining the STAR status, the Market Regulations envisage adoption of the organization, management and control model referred to in art. 6 of Decree 231/2001 (the "**Organizational Model**"). One of the effects of adopting the Organizational Model is to exclude sanctions against the entity if its senior management carry out certain types of illegal act, specified in the related Decree, in the interests of or for the benefit of the entity; such acts currently include corporate crimes and crimes involving market abuses (in addition to bribery and corruption, certain types of falsification, crimes related to terrorism and insurrection, and crimes against the individual).

The Organizational Model was presented to and approved by the Board on 28th March 2008 and is available on the Issuer's website: [www.aeffe.com/governance](http://www.aeffe.com/governance). On 14th November 2013, the Board of Directors approved amendments and additions to this Model, involving inclusion of the new offenses that have been identified. These relate to crimes against the public administration (bribery, corruption in the exercise of duties, corruption by deed in breach of duties, corruption in judicial deeds, improper inducement to give or promise benefits, corruption of a public servant, incitement to corruption, embezzlement, bribery, improperly give or promise benefits, corruption and incitement to corruption of members of EU bodies and officials of the European Union and foreign states), corporate crimes (corruption between individuals), environmental crimes (unauthorized waste management activities, violation of obligations to communicate, to keep registers and to keep formula sheets), and the employment of citizens of other countries without proper residence status. The work to amend the Model included the performance of a risk assessment (mapping sensitive activities and establishing a risk profile for each offense identified) and analysis of the related results. In addition, checking procedures have been implemented to further mitigate the inherent

initiation risk. Lastly, information is now provided to the Supervisory Body should function managers consider it necessary and/or appropriate to report anomalous situations.

The Board meeting held on 13th May 2014 confirmed the appointments of Robert Lugano, Fernando Ciotti and Stefano Di Biase as members of the Supervisory Board.

Pollini S.p.A. adopted its own organization, management and control model in 2014.

The Issuer is considering if Moschino S.p.A. should also adopt its own organizational, management and control model; in this regard, the necessary checks are still in progress to determine whether or not this subsidiary comes within the scope of application of the above regulation.

#### **11.4 Independent Auditors**

The Firm of Legal Auditors appointed by the Issuer is “RIA Grant Thornton S.p.A.”, with registered offices at Corso Vercelli 40, Milan Milan Companies Register, Tax Code and VAT No. 02342440399 - Business Register No. 1965420, Register of Legal Auditors no. 157902, formerly recorded in CONSOB’s special register of auditing firms at no. 49. . (formerly *Mazzari* S.p.A.) This appointment was granted on 13th April 2016 and will expire following the audit of the separate and consolidated financial statements as of 31st December 2024.

#### **11.5 EXECUTIVE RESPONSIBLE FOR PREPARING THE ISSUER'S ACCOUNTING DOCUMENTATION**

The executive responsible for preparing the Issuer's accounting documentation is Marcello Tassinari, Executive Director of Aeffe and General Manager of the Aeffe Group.

The Articles of Association envisage that the Board, having heard the required but not binding opinion of the Board of Statutory Auditors, appoints an executive responsible for preparing the Issuer's accounting documentation and fixes the related remuneration.

Persons who do not satisfy the following professionalism requirements cannot be appointed as Responsible executive and, if already appointed, their mandates lapse:

- (a) degree in economics, finance or business management and systems;
- (b) at least three years' experience in total of:
  - administration and control activities or senior management responsibilities within a limited liability company, or
  - administrative or management functions or appointments as auditor or consultant, such as registered accountant, for entities operating in the banking, financial and insurance sectors, or in any case sectors that are closely connected with and related to the activities of the company, that involved the management of economic - financial resources.

In addition, persons who do not satisfy the honorability requirements established in art. 147-quinquies of Decree No. 58 dated 24th February 1998 cannot be appointed as Responsible executive and, if already appointed, their mandate lapses.

If the Responsible executive ceases to serve, the Board arranges without delay to replace him by appointing a new Responsible executive, having heard the required but not binding opinion of the Board of Statutory Auditors. Termination of the employment relationship between the Responsible executive and the company is a reason for ceasing to serve.

The Responsible executive exercises the powers and performs the tasks attributed to him in accordance with the provisions of art. 154-bis of Decree no. 58 dated 24th February 1998, and the related enabling regulations. For this purpose, the Board has granted the Responsible executive adequate powers and resources to accomplish the tasks attributed to him.

The Responsible executive attends those Board meetings that envisage the discussion of matters relevant to his activities.

#### **11.6 COORDINATION BETWEEN PERSONS INVOLVED IN THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM**

The Issuer has not formalized methods of coordination between the various persons involved in the risk management and internal control system, since such persons have numerous opportunities to meet for information discussion both during and after (i) meetings of the audit committee (ii) meetings of the supervisory body (iii) meetings of the Board.

The Audit Committee keeps the Board of Statutory Auditors constantly informed and collaborates closely with it, not least by joint participation at the meetings of the Audit Committee.

## **12 DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES**

In accordance with Principle 9 of the Code, the Board adopts measures designed to ensure that transactions with related parties are carried out in a transparent manner and comply with the criteria requiring substantial and procedural propriety. A similar requirement is contained in art. 2391-bis of the Civil Code, under which the administrative bodies of companies that make recourse to the market for risk capital must adopt specific internal regulations and procedures to govern transactions with related parties, including those conducted via their subsidiaries, thus ensuring their transparency and substantial and procedural propriety (“Procedure for Transactions with Related Parties”).

In accordance with Principle 9 of the Code, the Board has adopted measures designed to ensure that transactions with related parties are carried out in a transparent manner and comply with the criteria requiring substantial and procedural propriety. A similar requirement is contained in art. 2391-bis of the Italian Civil Code, under which the administrative bodies of companies that make recourse to the market for risk capital must adopt specific internal regulations and procedures to govern transactions with related parties, including those conducted via their subsidiaries, thus ensuring their transparency and substantial and procedural propriety.

Consistent with the above requirements and those contained in Consob Regulation No. 17221 dated 12th March 2010, on 10th November 2010 the Issuer adopted a new procedure for related-party transactions that, in compliance with the above regulation, came into effect on 1st January 2011.

The procedure for related-party transactions covers the approach to be followed should the company enter into transactions with counterparts that are deemed to be "related parties".

In particular, the procedure governs Transactions involving Minor Amounts, Transactions of Greater Significance, Transactions of Lesser Significance, and Routine Transactions.

The text of the procedure governing transactions with related parties is available for consultation at the registered offices, on the website [www.aeffe.com](http://www.aeffe.com) and on the website of Borsa Italiana.

The procedure governing transactions with related parties has been given to all members of the Board of Directors.

With regard to transactions in which directors have a personal interest, the group applies the rules established by law, since these are considered by the Issuer to provide adequate protection for the group's interests. This is because art. 2391 c.c., applicable to the Issuer and the group's most significant subsidiaries, already requires (i) executive directors to abstain from

promoting transactions that benefit third parties; and (ii) directors to inform the Board about all interests promoted by them when carrying out a given transaction.

### **13 APPOINTMENT OF STATUTORY AUDITORS**

Principle 10.P.1 of the Code envisages that the appointment of statutory auditors follows a transparent procedure that guarantees, among other matters, the provision of timely and adequate information on the personal and professional characteristics of the candidates.

The Board of Statutory Auditors comprises three serving auditors and two alternate auditors. The statutory auditors remain in office for three financial years and their appointments expire on the date of the Meeting called to approve the financial statements for the final year of their mandate; they may be re-elected. With regard to the criteria and methodology for appointing statutory auditors, article 22 of the Articles of Association states that the Board of Statutory Auditors comprises 3 (three) serving auditors, of which at least one must be a member of the least represented gender; the Shareholders' Meeting shall also appoint two alternate auditors, one from each gender. The appointments are made on the basis of lists presented by the shareholders, following the process specified below.

Shareholders have the right to present lists if, alone or together with other shareholders, they represent at least 2.5% (two point five percent) of the shares with voting rights at ordinary meetings, or such different percentage of the company's share capital as is established by current and applicable laws and/or regulations. Each list must comprise two sections: one for the appointment of serving auditors and the other for the appointment of alternate auditors. Each section of the lists must ensure the presence of both genders.

The lists must indicate in consecutive numerical order at least one candidate for serving auditor but, in any case, not more candidates than the number of statutory auditors to be elected. Each candidate can appear on just one list, or will be ineligible for election. In accordance with the above-mentioned Principle 10.P.1 of the Code, the lists signed by the shareholders presenting them, or by the shareholder appointed to present them, and accompanied by the documentation required by the Articles of Association, must be filed at the registered offices at least 25 (twenty-five) days prior to the date fixed for the Meeting in first (or only) calling and published on the Issuer's website at least 21 (twenty-one) days prior to the date fixed for the Meeting in first (or only) calling. The following information must also be filed, together with each list, by the deadline indicated above: (i) declarations from each candidate accepting their nomination and confirming, under their personal responsibility, the absence of reasons for which they would be ineligible or for which their appointment would lapse by law, and that they satisfy the honorability and professionalism requirements established by law and applicable to such appointments; (ii) complete information on their personal and professional characteristics (curriculum vitae); (iii) the list of appointments as director or auditor held by



candidate statutory auditors in other companies or bodies, if relevant under current regulations to the limit on the total number of appointments allowed by the Articles of Association or by the current and applicable laws and/or regulations; (iv) the list of shareholders presenting the list, specifying their personal or company name, address, company registration number or similar and the total percentage of share capital held by them.

Candidates must satisfy the requirements of eligibility, honorability and professionalism established by law, and must not hold a number of appointments as directors or auditors of other companies or entities that exceeds the maximum allowed by current and applicable laws and/or regulations.

If no lists are presented, the Shareholders' Meeting appoints the Board of Statutory Auditors and its Chairman in accordance with the majorities established by current legislation. If only one list is presented, the Board of Statutory Auditors is drawn entirely from that list and the first candidate on the list is appointed as Chairman.

If, on the other hand, two or more lists are presented, the Board of Statutory Auditors is appointed in the following manner:

a) the following candidates will be appointed, in the numerical order in which they appear, from the list that obtains the majority of the votes cast by the shareholders: (i) the first two candidates for the office of serving auditor and (ii) the first candidate for the office of alternate auditor;

b) the following candidates will be appointed, in the numerical order in which they appear, from the list that obtains the second-largest number of votes, on condition that such list is not linked, directly or indirectly, with the shareholders who presented or voted for the list that obtained the largest number of votes: (i) the first candidate for the office of serving auditor, who will also be appointed as Chairman of the Board of Statutory Auditors, and (ii) the first candidate for the office of alternate auditor, if available; otherwise, the alternate auditor will be the first candidate for this office on the first list obtaining the next-largest number of votes that is not linked, directly or indirectly, with the shareholders who presented or voted for the list that obtained the largest number of votes.

c) in the event of a voting tie between two or more lists, the candidates on the list presented by shareholders with the greatest total equity interest or, failing this, by the largest number of shareholders, will be elected.

If the composition of the Board of Statutory Auditors or the category of alternate auditors does not comply with the gender balance criterion then, having regard for the order of listing in the respective sections, the candidates from the most represented gender elected last from the

Majority List shall be replaced by the first candidates not elected from the same list and the same section from the least represented gender. Application of this replacement procedure will continue until the composition of the Board of Statutory Auditors complies with the regulations in force at the time concerning gender balance.

The Board of Statutory Auditors monitors compliance with the law and the Articles of Association, and respect for the principles of proper administration including, in particular, the adequacy of the organization, administrative and accounting systems adopted by the Company and the way they function in practice, as well as how the corporate governance rules envisaged by the related regulations are applied in practical terms.

Lastly, the Articles of Association envisage that the Board of Statutory Auditors meets at least every ninety days at the request of any its members.

The mechanism of appointment using the list voting system ensures transparency and the provision of timely and adequate information on the personal and professional characteristics of the candidates.

The Shareholders' Meeting held on 16th April 2014 appointed the Board of Statutory Auditors, in compliance with the rules on gender balance, with reference to the joint list presented by Fratelli Ferretti Holding S.r.l. and IM Fashion S.r.l., which obtained unanimous approval from the voting share capital that was present.

The mandate of the current Board of Statutory Auditors expires on approval of the financial statements as of 31st December 2016.

## 14 COMPOSITION AND FUNCTIONING OF THE BOARD OF STATUTORY AUDITORS

The current Board of Statutory Auditors comprises:

|                    |   |
|--------------------|---|
| Fernando Ciotti    | Chairman of the Board of Statutory Auditors |
| Daniela Saitta     | Serving Auditor                             |
| Luca Sapucci       | Serving Auditor                             |
| Barbara Ceppellini | Alternate Auditor                           |

The quorum required for the presentation of lists at the time of the most recent appointment of the Board of Statutory Auditors was 2.5% (two point five percent) of the shares with voting rights at ordinary meetings.

Since no minority lists were presented for the appointment of the Board of Statutory Auditors, on 23rd March 2014 the Issuer informed the market, pursuant to articles 144 sexies, para. 4, and 144 octies, para. 2, of Consob Regulation no. 11971 dated 24th May 1999, that the deadline for the presentation of lists for the appointment of members of the Board of Statutory Auditors was extended until 25th March 2014 inclusive, and that the minimum equity interest required by article 22.2 of the Articles of Association for the presentation of lists of candidate statutory auditors was halved (to 1.25%).

The list of appointments in other companies held by members of the Board of Statutory Auditors is attached to the report on their supervisory activities prepared by the Statutory Auditors pursuant to para. 1 of art. 153 TUF.

The personal and professional characteristics of each statutory auditor are indicated below, while further information about their personal and professional characteristics is provided in the nominations presented by Fratelli Ferretti Holding S.r.l. and I.M. Fashion S.r.l., published on the Company's website and accessible at the address: <http://www.aeffe.com/aeffeHome.php?pattern=11&lang=ita>.

Subsequent to the death of Pier Francesco Sportoletti, Chairman of the Board of Statutory Auditors, Luca Sapucci, an Alternate Auditor drawn from the only list presented, was appointed as a Serving Auditor of the Company on 14th October 2016. In accordance with the law, the position of Chairman of the Board of Statutory Auditors was taken by Fernando Ciotti. The market was informed about this situation in a suitable press release.

### **Fernando Ciotti**

Born in Castelluccio dei Sauri (Foggia) on 13th June 1956. Degree in Law from Rome's "La Sapienza" University and Degree in Political Science from the same university. Member of the Rome chapter of Italian Public Accountants and Registered Auditor; formerly lecturer in Business Economics at L.U.I.S.S. "Guido Carli" International University in Rome. He was a

lecturer in law at the San Pio V University in Rome and taught tax law, including for the post-graduate master in "Economics and Management of Organizations in an International Context" promoted by FORMIT (foundation for research into the migration and integration of technologies). Freelance journalist for "Il Fisco", a tax magazine edited by Pasquale Marino. Professionally active at his offices at Via Marche 54, Rome, under the name of Taxnet, a professional association.

Consultant for numerous leading public and private companies, both in Italy and abroad, as well as banks, public entities and charities.

#### **Daniela Saitta**

Born in Messina on 9th August 1962, Degree in Economics and Commerce from LUISS Guido Carli University. Active as an Italian Public Accountant, providing tax, corporate and insurance advisory services to agencies, companies, banks, insurance companies, clinics and associations, with offices in Via Ugo De Carolis, Rome. Member of the Board of Directors of the Rome chapter of Italian Public Accountants from 1st January 2013. She has collaborated and continues to collaborate with the Bankruptcy Section of the Rome Court as administrator, court commissioner and accounting consultant. Shareholders' representative of Atlantia S.p.A. She has served and continues to serve as Technical Consultant for the Rome Magistrates and as expert for the Rome Criminal Court. She has served and continues to serve as Technical Consultant for the Perugia, Tivoli and Reggio Calabria Magistrates. From 1993 to 2000 she lectured on quantitative methods, insurance and tax matters at the LUISS Guido Carli School of Management.

#### **Luca Sapucci**

Born in Cattolica (Rimini) on 13th November 1967. Degree in Economics and Commerce from Bologna University. Professional practice in Cattolica, consulting on tax and business matters for firms in Rimini and Pesaro.

#### **Barbara Ceppellini**

Born in Broni (Pavia) on 20th February 1969. Degree in Economics and Commerce from Pavia University. Member of the Pavia and Voghera chapter of Italian Public Accountants from 2003. Registered Auditor. Collaborates since 2000 with "Ceppellini Lugano & Associati", a consultancy firm with offices in Milan, Vicenza and Voghera, providing tax and corporate advisory services to medium-large companies and groups. She has worked and continues to work as technical defense counsel on tax cases and administrative procedures involving the Tax Authorities.

The Board of Statutory Auditors met 6 times during the year. The minimum duration of

meetings of the Board of Statutory Auditors was 2 hours, while the average duration was 3 hours and 40 minutes.

The Board of Statutory Auditors has scheduled 6 meetings in 2017.

The Board of Statutory Auditors checked the continuing independence of its members for 2016 at the meeting held on 7th March 2016.

In accordance with the criteria established in para. 3 of art. 148 of Decree 58/98, the minutes of that meeting included the following text:

*“Q.1.4. The Chairman of the Board of Statutory Auditors gave each auditor a self-assessment form designed to check that the eligibility and independence requirements of each member were satisfied.. Analysis of these forms confirmed the independence of each member of the Board of Statutory Auditors and the absence of any reasons for incompatibility and/ or for terminating their appointments. Copies of the forms, together with a brief report on the reasonableness of the size and functioning of the Board of Statutory Auditors, will be sent to the Board of Directors for communication to the market, as required by art. 8.C.1 of the Code of Self-Regulation prepared by the Committee for the Corporate Governance of listed companies, with which the Company complies.”.*

In reaching this determination, the Board of Statutory Auditors applied all the criteria set down in the Code.

During 2016, the Chairman of the Issuer's Board of Directors organized informal meetings with the statutory auditors on the days in which the Board meetings were held; during these meetings, the Chairman explained the corporate processes and dynamics to the statutory auditors, indicating the related changes. Given the collaboration received from Pierfrancesco Giustiniani, director, during these meetings, the statutory auditors were also able to benefit, to the extent applicable, from an appropriate update on the regulations governing the Issuer's sector of activities.

The members of the Board of Statutory Auditors are subject to application of the Issuer's Procedure for Transactions with Related Parties, the contents of which are described in paras. 4.3 and 12 of the Report. Furthermore, should a member of the Board of Statutory Auditors have an interest in a transaction carried out by the Issuer, whether directly or indirectly, such person must provide complete and timely information to the other statutory auditors and to the Board, specifying the nature, terms, origin and extent of this interest.

At the meeting held on 16th June 2016, the Board of Statutory Auditors verified the independence of the external auditors, checking both compliance with current regulations and the nature and extent of any non-audit services provided to the Issuer and its subsidiaries by the external auditors and members of its network.

Lastly, in the performance of its duties, the Board of Statutory Auditors coordinated with the

Audit Committee (whose meetings were attended by the Chairman of the Board of Statutory Auditors). The Chairman of the Board of Statutory Auditors, or a Serving Auditor authorized by the Chairman, attended all the meetings of the Audit Committee, verifying the effectiveness of the procedures adopted and contributing to the identification of the most sensitive areas within the company.

The remuneration of the Statutory Auditors is consistent with the work required, the importance of their role and the size and business sector of the Issuer. This said, when the mandate of the current Board of Statutory Auditors expires at the Shareholders' Meeting called to approve the financial statements as of 31st December 2016, that Meeting will have to appoint a new Board of Statutory Auditors for the three-year period 2017-2019 and resolve on the related remuneration for that period.

## **15 RELATIONS WITH THE SHAREHOLDERS**

The Issuer believes that it is in its specific interests – as well as a duty towards the market – to establish, right from the time of listing, an ongoing dialog with all shareholders based on a mutual understanding of the respective roles; this dialog must be carried forward in compliance with the procedures established for the external communication of business documents and information. Pursuant to para. 3.j) of art. 2.2.3 of the Market Regulations, the company has identified from among its employees a professionally-qualified person, Annalisa Aldrovandi, to serve as investor relations officer.

The Issuer has also created an easily found and accessible section on its website *www.aeffe.com* containing information about the Issuer that is relevant to shareholders, so they can exercise their rights with full awareness.

Shareholders can also contact the Issuer's Corporate Secretariat for any help or clarification they may need relating to the exercise of their rights.

## 16 SHAREHOLDERS' MEETINGS

Shareholders' meetings are either ordinary or extraordinary, as defined by law.

Shareholders' Meetings are called at the registered offices or elsewhere in Italy by a notice published, within the timescales envisaged by current legislation, in a national daily newspaper.

The ordinary meeting is called whenever required by law and when deemed appropriate by the Board of Directors. The shareholders' meeting is also called by the Board of Directors at the request of shareholders representing at least 5% (five percent) of the share capital, to the extent allowed by the final paragraph of art. 2367 of the Italian Civil Code, or by the Board of Statutory Auditors, or by at least 2 (two) of its members.

The tasks and powers of the shareholders' meeting are those established by law.

During 2016, the shareholders who control the Issuer did not notify the public of any proposals that should have been presented to the shareholders' meeting regarding matters for which no specific proposals had been made by the directors.

### **Rights of shareholders and attendance at meetings**

In order to attend the shareholders' meeting, the Issuer must receive the communication from the authorized intermediary envisaged in art. 83-sexies, TUF. This communication must be received prior to the start of the session.

Ordinary and extraordinary meetings can be held in multiple locations, either adjoining or distant, that are linked by audio/video communications, on condition that the collegiate method and the principles of good faith and equal treatment for all shareholders are respected.

In particular, it is necessary that:

- (i) the Chairman of the Meeting, with support from the chairman's office or otherwise, is able to determine the identity and legitimacy of those attending, govern the conduct of the meeting, and determine and proclaim the results of voting;
- (ii) the person responsible for taking the minutes is able to follow adequately the meeting events to be minuted;
- (iii) those attending are able to take part in the discussions and in simultaneous voting on the matters on the agenda;
- (iv) the notice of meeting specifies the locations equipped with audio/video communications provided by the company, where shareholders may gather; the meeting will be deemed to be held in the location where both the Chairman and the person responsible for taking the minutes are present.

The shares requiring the communication specified in para. 2 of art. 2370 c.c. remain unavailable until the meeting has been held.



The shareholders who are entitled to attend the Meeting may be represented by another person, who need not be a shareholder, bearing a written proxy prepared in accordance with legal requirements. This proxy may be granted by electronic means, in the manner envisaged by the Ministry of Justice. The proxy may be notified to the company by certified e-mail at the address specified each time in the notice of meeting. The proxy form is available from the registered offices and from the Issuer's website [www.aeffe.com](http://www.aeffe.com) in the Italian section entitled *Documenti Societari*.

Pursuant to the law and art. 11 of the Articles of Association, shareholders are entitled to attend the Meeting and exercise their voting rights on presentation of a communication addressed to the Issuer by an authorized intermediary, as defined in the applicable regulations. This communication is released by the latter following reference to the accounting information recorded at the accounting close of the seventh trading day prior to the date fixed for the Meeting (so-called "**record date**"). Persons obtaining ownership of the shares subsequent to the **record date** are not entitled to attend the Meeting or to vote. Each shareholder may be represented at the Meeting by a person holding a written proxy, except in the cases of incompatibility and with the restrictions envisaged in current regulations. The Issuer's proxy form is available from the intermediaries authorized to issue the communication confirming the shareholder's right to attend the ordinary meeting, or from the company's website ([www.aeffe.com](http://www.aeffe.com)); it may also be obtained from the Corporate Secretariat of Aeffe S.p.A. In addition, pursuant to the Articles of Association, each shareholder is entitled to notify proxies by e-mail sent to the Issuer's certified e-mail address. Proxyholders giving or sending the Issuer a copy of the proxy form must confirm, taking full personal responsibility, that it is a true copy of the original and also confirm the identity of the delegating shareholder. Without cost for the delegating shareholder, the proxy may be granted - with voting instructions for some or all items on the agenda - to the independent company specified by the Issuer in the notice of meeting as the representative designated by the company pursuant to art. 135-undecies of Decree No. 58/98, on condition that this company receives the original, sent by registered letter or certified e-mail, by the end of the second trading day before the date fixed for the meeting in first calling. Proxies given on this basis do not apply to proposed resolutions for which voting instructions are not given. Proxies and voting instructions may be revoked by the end of the second trading day before the date fixed for the meeting in first or sole calling.

Pursuant to art. 127-ter, TUF, shareholders may submit questions about items on the agenda prior to the meeting, by sending a registered letter or certified e-mail to the addresses specified in the notice of meeting.

Interested parties must provide the information needed to identify them. Questions are answered at the Meeting, at the latest, and the Issuer is entitled to give a combined reply to questions of a similar nature.

Pursuant to art. 126-bis, TUF, shareholders who, together or alone, hold at least one fortieth of the share capital may, within ten days of publication of the notice of meeting, request the addition of specific items to the agenda. This request must be presented in writing, sent by registered letter or certified e-mail to the addresses specified in the notice of meeting, on condition that it is received by the deadline stated above. By this deadline and in the same manner, the proposing shareholders must also present a report on the matters to be discussed at the meeting. Information about any additions to the agenda for the Meeting subsequent to receipt of the above requests will be provided, in the manner established for publishing notices of meetings, at least fifteen days prior to the date fixed for the meeting.

In addition to publishing the notice of amendment, the report prepared by the requesting shareholders must also be made available to the public at the same time, in the manner applicable to other meeting documentation, and accompanied by any related considerations made by the Board of Directors. Additions to the agenda are not allowed for matters that, by law, may only be voted on at the meeting following a recommendation from the directors, or based on a project or report prepared by them that is not included in those indicated in para. 1 of art. 125-ter, TUF.

### **Meeting and voting quorums**

The meeting and voting quorums specified in the Articles of Association of the Issuer are the same as those envisaged in current legislation.

### **Meeting Regulations**

By resolution of the Board meeting held on 26th March 2007, the Issuer adopted the text of the meeting regulations which are available for consultation in their entirety on the Issuer's website: [www.aeffe.com/governance](http://www.aeffe.com/governance). The meeting regulations establish rules of conduct at meetings intended to guarantee the right of each shareholder to speak on the matters under discussion.

In particular, shareholders intending to speak must apply to the Chairman after the agenda item relevant to the question has been read out and the discussion period has been opened, but before the Chairman declares discussion of that item to be closed. Requests are made by the raising of hands, unless the Chairman has called for written requests. In the case of hand raising, the Chairman gives the floor to the first person to raise a hand. If this cannot be determined with precision, the Chairman gives the floor in the order determined at his sole discretion. In the case of written requests, the Chairman gives the floor in the order that the

requests were recorded. The Chairman and/or, upon his invitation, the directors and the statutory auditors to the extent of their responsibilities or as deemed useful by the Chairman in relation to the matter discussed, reply immediately after each shareholder authorized to speak has spoken, or after all speakers on the matter discussed have spoken, as decided by the Chairman. Shareholders are entitled to speak just once in relation to each agenda item, except for any reply and declaration of voting intention, the duration of which may not exceed five minutes. Having regard for the nature and importance of each agenda item, the Chairman will specify the time available for each shareholder to speak. The duration will usually not be less than 5 (five) minutes or more than 10 (ten) minutes.

The Board reports to the Shareholders' Meeting on the work performed and that planned, and takes steps to ensure that shareholders obtain the information needed to adopt resolutions with full awareness of the matters concerned, via publication on the Issuer's website and filing at the registered offices and on the website of Borsa Italiana.

The Shareholders' Meeting held on 13th April 2016 was attended by 6 directors.

Each year, the Issuer makes available to the market and the shareholders a Compensation Report prepared pursuant to art. 123-ter TUF and in accordance with art. 84-quater of the Issuers' Regulation. This Report is approved by the Compensation Committee (whose functions are described in the Report on Corporate Governance) and, accordingly, the Chairman of the Compensation Committee has not considered it necessary to report to the shareholders on the way that the Committee functions.

There were no significant changes in the market capitalization of the Issuer's shares, or in the ownership of the Issuer, during the Year.

**17. ADDITIONAL ASPECTS OF CORPORATE GOVERNANCE**

There are no other aspects of corporate governance beyond those described in the Issuer's Report and those required by current legislation and regulations.

**18 CHANGES SUBSEQUENT TO YEAR END**

There have not been any significant changes subsequent to year end.

San Giovanni in Marignano, 9th March 2017

for the Board of Directors

The Chairman

A handwritten signature in black ink, appearing to read 'Massimo Ferretti', written in a cursive style.

*Massimo Ferretti*

## SUMMARY TABLES

**Table 1: Information on the ownership structure**

**Table 2: Share capital structure**

**Table 3: Structure of the Board of Directors and its committees**

**Table 4: Structure of the Board of Statutory Auditors**

**TABLE 1 - Information on the ownership structure**

| SIGNIFICANT INTERESTS IN SHARE CAPITAL |                              |                       |                     |
|--|------------------------------|-----------------------|---------------------|
| Declarant                              | Direct ownership             | % of ordinary capital | % of voting capital |
| TULLIO BADIOLI                         | TULLIO BADIOLI               | 5.000                 | 5.000               |
| FRATELLI FERRETTI<br>HOLDING S.R.L     | IM FASHION                   | 24.410                | 24.410              |
|  | FRATELLI FERRETTI<br>HOLDING | 37.387                | 37.387              |
|  | TOTAL                        | 61.797                | 61.797              |
| AEFFE S.P.A.                           | AEFFE SPA                    | 5.473*                | 5.473               |

**Table 2: Share capital structure**

| <b>SHARE CAPITAL STRUCTURE</b>       |                      |                     |                               |  |
|--------------------------------------|----------------------|---------------------|-------------------------------|--|
|                                      | <b>NO. OF SHARES</b> | <b>% OF CAPITAL</b> | <b>LISTED IN STAR SEGMENT</b> | <b>RIGHTS AND OBLIGATIONS</b>                          |
| ORDINARY SHARES                      | 107,362,504          | 100%                | 107,362,504                   | RIGHTS AND OBLIGATIONS ASSOCIATED WITH ORDINARY SHARES |
| SHARES WITH MULTIPLE VOTING RIGHTS   | NOT APPLICABLE       | NOT APPLICABLE      | NOT APPLICABLE                | NOT APPLICABLE   |
| SHARES WITH RESTRICTED VOTING RIGHTS | NOT APPLICABLE       | NOT APPLICABLE      | NOT APPLICABLE                | NOT APPLICABLE   |
| SHARE WITHOUT VOTING RIGHTS          | NOT APPLICABLE       | NOT APPLICABLE      | NOT APPLICABLE                | NOT APPLICABLE   |
| OTHER                                | NOT APPLICABLE       | NOT APPLICABLE      | NOT APPLICABLE                | NOT APPLICABLE   |

### Table 3: Structure of the Board of Directors and its committees

- this symbol indicates the director responsible for the risk management and internal control system.
- ◇ this symbol includes the person primarily responsible for the management of the Issuer (Chief Executive Officer or CEO)
- this symbol indicates the Lead Independent Director (LID)
- \* date of first appointment of each director means the date on which the director was appointed for the first time (ever) to the Board of Directors of the Issuer
- \*\* this column indicates the list from which each director was drawn (M= majority /m=minority)
- \*\*\* this column indicates the number of appointments as director or statutory auditor held by the person concerned in other companies listed on regulated markets
- (\*) this column indicates the attendance by the directors at meetings of the Board and other Committees
- (\*\*) this column indicates the position of the director within the Committee: “P” chairman, “M” member.



| BOARD OF DIRECTORS  |                           |            |                          |                |   |             |       |           |                  |                 |                                  | CONTROL AND RISK COMMITTEE |     | COMPENSATION COMMITTEE |     |      |
|---|---------------------------|------------|--------------------------|----------------|---|-------------|-------|-----------|------------------|-----------------|----------------------------------|----------------------------|-----|------------------------|-----|------|
| Role  | Members                   | Birth date | First Appointment date * | Appointed from | Appointed until   | List M/m ** | Esec. | Not Esec. | Indip. From Code | Indip. From TUF | Number of other appointments *** | (*)                        | (*) | (**)                   | (*) | (**) |
| President   | Massimo Ferretti          | 1956       | 16 July 1990             | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X     |           |                  |                 | -                                | 4/5                        | -   | -                      | -   | -    |
| Vice President  | Alberta Ferretti          | 1950       | 16 July 1990             | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X     |           |                  |                 | -                                | 2/5                        | -   | -                      | -   | -    |
| Chief Executive Officer♦  | Simone Badioli            | 1969       | 30 April 1993            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X     |           |                  |                 | -                                | 5/5                        | -   | -                      | -   | -    |
| Director Managing Director  | Marcello Tassinari        | 1963       | 20 May 2005              | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X     |           |                  |                 | -                                | 5/5                        | -   | -                      | -   | -    |
| Director  | Marco Salomoni            | 1954       | 21 April 2011            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           |       | X         | X                | X               | -                                | 5/5                        | -   | -                      | -   | -    |
| Director  | Roberto Lugano            | 1959       | 23 May 2007              | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           |       | X         | X                | X               | -                                | 5/5                        | 6/7 | P                      | 1/1 | M    |
| Director  | Pierfrancesco Giustiniani | 1966       | 29 April 2008            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           |       | X         |                  |                 | -                                | 4/5                        | 6/7 | M                      | 1/1 | M    |
| Director ○  | Sabrina Borrocci          | 1973       | 16 April 2014            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           |       | X         | X                | X               | -                                | 3/5                        | 7/7 | M                      | 1/1 | P    |
| No of meeting occurred in the year: 5   |                           |            |                          |                |   |             |       |           |                  |                 |                                  | 7                          |     | 4                      |     |      |
| The quorum requested for the presentation of the lists by the minorities for the appointment of one or further members is equal to 2,5% |                           |            |                          |                |   |             |       |           |                  |                 |                                  |                            |     |                        |     |      |
| NO DIRECTOR GIVES OVER FROM THE APPOINTMENT DURING THE YEAR   |                           |            |                          |                |   |             |       |           |                  |                 |                                  |                            |     |                        |     |      |

**Table 4: Structure of the Board of Statutory Auditors**

\* date of first appointment of each statutory auditor means the date on which the statutory auditor was appointed for the first time (ever) to the Board of Statutory Auditors of the Issuer

\*\* this column indicates the list from which each statutory auditor was drawn (M= majority /m=minority)

\*\*\* this column indicates the number of appointments as director or statutory auditor held by the person concerned in other companies listed on regulated markets

(\*) this column indicates the attendance by the statutory auditors at meetings of the Board of Directors and other Committees

(\*\*) this column indicates the position of the director within the Committee: “P” chairman, “M” member.

| BOARD OF STATUTORY AUDITORS   |                           |            |                          |                |   |             |                  |   |                                |
|---|---------------------------|------------|--------------------------|----------------|---|-------------|------------------|---|--------------------------------|
| Role  | Members                   | Birth Year | First appointment date * | Appointed from | Appointed until   | List M/m ** | Indip. From Code | Attendance to the meetings of the Board of Statutory Auditors | Number of further appointments |
| Chairman of the Board of Statutory Auditors   | PierFrancesco Sportoletti | 1956       | 21 April 2011            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X                | 6/6   | 9                              |
| Serving Auditor   | Fernando Ciotti           | 1956       | 29 April 2008            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X                | 6/6   | 6                              |
| Serving Auditor   | Daniela Saitta            | 1962       | 16 April 2014            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X                | 2/6 <sup>(i)</sup>  | 10                             |
| Alternate Auditor   | Luca Sapucci              | 1967       | 21 April 2011            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X                | -   | 8                              |
| Alternate Auditor   | Barbara Ceppellini        | 1969       | 16 April 2014            | 16 April 2014  | Shareholders Meeting for approval of the balance sheet closed on 31/12/2016 | M           | X                | -   | 2                              |
| The quorum requested for the presentation of the lists by the minorities for the appointment of one or further members is equal to 2,5% |                           |            |                          |                |   |             |                  |   |                                |

(i) Luca Sapucci only attended two meetings of the Board of Statutory Auditors, since he became a Serving Auditor on the death of PierFrancesco Sportoletti.