



AEFFE S.p.A.

*Registered Offices in San Giovanni in Marignano - RN*

*Via delle Querce 51*

*Share Capital € 26,840,626.00*

*Rimini Companies Register and Tax Code No. 01928480407*

## **SHAREHOLDERS' MEETING**

**12 APRIL 2018**

### **REPORT ON AGENDA ITEMS**

*prepared pursuant to para. 1 of art. 125-ter of Decree No. 58 dated 24th February 1998 and subsequent amendments (“TUF”) and art. 84-ter of the regulations adopted by Consob Resolution No. 11971 dated 14th May 1999 and subsequent amendments (“Issuers' Regulation”).*

**Courtesy translation.**

**In case of discrepancy with the Italian version, the latter will prevail.**

### **Item nos. 1 and 2**

1. *Approval of the financial statements of Aeffe S.p.A. as of 31st December 2017 and the report of the Board of Directors on operations; reception of the reports of the Independent Auditors and the Board of Statutory Auditors. Presentation to the Shareholders' Meeting of the consolidated financial statements as of 31st December 2017. Presentation to the Shareholders' Meeting of the non-financial consolidated statement pursuant Legislative Decree 30th December 2016, no. 254*
2. *Resolutions regarding the results for the year ended 31st December 2017.*

Shareholders,

With reference to the first two items on the agenda, you are invited, during the Shareholders' Meeting, to resolve on the approval of the Company's financial statements as of 31st December 2017. You are also invited to take note of the results reported in the consolidated financial statements as of 31st December 2017. Please be informed that, as provided by the Legislative Decree 30th December 2016, no. 254, the consolidated financial statements will include the non-financial consolidated statement.

Regarding the above, please be informed that the draft financial statements as of 31st December 2017 and the related report on operations will be made available, by the legal deadline, at the registered offices of the Company and on its website at the address [www.aeffe.com](http://www.aeffe.com).

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### **Item no. 3**

- 3 *Compensation Report pursuant to para. 6 of art. 123-ter of Decree No. 58/98; resolutions regarding the first section of the Compensation Report.*

Shareholders,

You are reminded that the previous Shareholders' Meetings gave a consultative vote on the Company's remuneration policy pursuant to para. 6 of art. 123-ter of Decree 58/98. In this regard, the last Shareholders' Meeting resolved as follows: :

"The Ordinary Meeting of the Shareholders of Aeffe S.p.A., held with a voting quorum today, 12th April 2017, on the basis of the report of the Board of Directors and taking note of the remuneration policy contained in the first section of the Compensation Report pursuant to para. 6 of art. 123-ter of Decree No. 58/98,

resolves

to approve the Company's remuneration policy contained in the first section of the Compensation Report pursuant to para. 6 of art. 123-ter of Decree No. 58/98."

The Remuneration Policy adopted, as presented to the Shareholders' Meeting held on 18th April 2013, has not changed.

Without prejudice to the other parts of the Remuneration Policy already adopted, at the Shareholders' Meeting held on 18th April 2013 it was clarified that the Long-Term Incentive (LTI) designed to (a)

keep the remuneration structure competitive overall in order to attract and retain the loyalty of experienced persons within the Company and the Aeffe Group; (b) guide the efforts of the directors and managers towards the achievement of long-term ratios and goals of strategic interest; (c) align the interests of directors and managers with those of the shareholders, may comprise a system of variable remuneration linked to objectives to be attained over the medium-long term (medium/long-term MBO) determined in three or four years, as well as remuneration plans based on financial instruments and plans for investment in the capital of the Company.

For further information about the Company's Remuneration Policy and about the remuneration of directors and executives with strategic responsibilities, reference is made to the Compensation Report prepared pursuant to art. 123-ter, TUF, which in accordance with art. 84-quater of the Issuers' Regulations will be made available, by the legal deadline, at the registered offices of the Company and on the following website [www.aeffe.com](http://www.aeffe.com).

At the Shareholders' Meeting, the Board of Directors will propose the following resolution to the Shareholders:

"The Ordinary Meeting of the Shareholders of Aeffe S.p.A., held with a voting quorum today, 12<sup>th</sup> April 2018, on the basis of the report of the Board of Directors and taking note of the remuneration policy contained in the first section of the Compensation Report pursuant to para. 6 of art. 123-ter of Decree No. 58/98,

resolves

1) to take note and approve the Company's remuneration policy contained in the first section of the Compensation Report pursuant to para. 6 of art. 123-ter of Decree No. 58/98."

#### **Item no. 4**

*4 Modification of the emoluments due to the Board of Statutory Auditors for years from 2017 to 2019.*

Shareholders,

As indicated in the call of Shareholders Meeting, you are invited to vote concerning the Modification of the emoluments due to the Board of Statutory Auditors for years from 2017 to 2019.

It reminds that that the Shareholders' Meeting of 12 April 2017 fixed the total annual fee payable to the Board of Statutory Auditors at € 45,000.00, to be divided between the statutory auditors in the amount of € 15,000.00 per person.

The Board of Directors, after examining the explanatory note (attached to this Report as Exhibit A ) sent to the Company by the Board of Statutory Auditors on 8 March 2018 and, having taken note of the reasons therein expressed by the control body, consider that it is reasonable to submit to the evaluation of You Shareholders the opportunity of an integration of the relative compensation. In particular, the Board of Directors considered that the compensation fixed in April 2017 in favour of the Statutory Auditors was determined without taking into consideration the professional rates provided f by article 29 of the D.M. n. 140 of 20 July 2012.

On the basis of the corporate governance study of Italian listed companies, published by Assonime

for the year 2017, the average fees of the members of the controlling body of listed companies amounted, in year 2017, to € 50,000 (see page 25 of the aforementioned study). The yearly remuneration of € 15,000 approved in favour of each Statutory Auditor of your Company is therefore significantly lower than the minimum tabular level of professional fees determined by Article 29 of the D.M. 140/2012<sup>1</sup>, but also not in line with the amount of the average of fees approved in the most part of the cases by Italian listed issuers.

The Board of Directors also considers that the members of the Board of Statutory Auditors of Aeffe S.p.A. are expert of very high professional standing, with important business and university experiences and in possession of the qualifications, among others, of chartered accountants and auditors; furthermore, the activity of the Board of Statutory Auditors, after its appointment in April 2017, has been extremely punctual and intense, and this commitment will be certainly not lower in the next two years. Finally, it should be noted that the adjustment proposed by the Board of Directors in relation to the remuneration due to the members of the board of statutory auditors, as well as being calibrated to the minimum level of the fees provided for by the Legislative Decree no. n. 140/2012, provides also for rounding up to lower 5,000 euros.

In the light of all the above, the Board of Directors has therefore evaluated the compatibility of the proposed amendment to the remuneration of the controlling body of the Company with the provisions of Article 2402 of the Italian Civil Code, pursuant to which "the yearly remuneration of the statutory auditors, if it is not established in the statute, must be determined by the shareholders meeting at the time of appointment for the entire period of their office".

Even if, in the majority doctrine and jurisprudence, it is present the orientation according to which the remuneration of the control body cannot be changed (neither increasing or decreasing) during the fulfilment of the task<sup>2</sup>, the Board of Directors believes to share the thesis expressed by the more recent doctrine<sup>3</sup>, following which the compensation of the Board of the Statutory Auditors can surely be increased<sup>4</sup>, in order to grant to the control body an evaluation *ex post*, after an adequate working period, concerning the adequacy of the relative compensation as decided by the shareholders meeting when the appointment has been conferred.

Keeping into consideration all the above and, in particular:

- i) considered the motivations indicated in the report of the Board of Statutory Auditors included to the present report as Exhibit A;

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<sup>1</sup> As a matter of fact, on the basis of the index fixed by the same decree, the compensation due to each Statutory Auditor should be equal to Euro 35,354, while the one due to the Chairman of the Board of Statutory Auditors should be equal to Euro 46,064.

<sup>2</sup> The reason is that a non pre-determined fee modification could constitute an instrument of pressure on the statutory auditors capable to compromise the independence in the execution of the appointment.

<sup>3</sup> De Gennaro, *Il ruolo del Collegio Sindacale nel Decreto Legislativo n. 39 del 2010 e la rideterminazione, in corso di mandato, del compenso dei sindaci*, in *Riv. Dott. Comm.*, 2011, p. 63 ss.. It is underlined the this doctrine is linked to an older one: Frè, *Società per Azioni*, in *Commentario Scialoja-Branca*, sub art. 2397-2402, Bologna-Roma, 1982, p. 553.

<sup>4</sup> Even if never in decreasing.

- ii) considered that the Board of Statutory Auditors has formulated the adjustment request of its remuneration after its appointment, demonstrating to have verified the actual need to present an adequate revision proposal concerning the current remuneration;
- iii) considered that the compensation of the Statutory Auditors must be linked to the commitment requested to each Statutory Auditor and must be adequate to the quality expected by an independent control;
- iv) considered that the amount of the compensation on average decided by the Italian issuers for the relative control bodies as well as the tabular minimum fixed for the professional fees by article 29 of D.M. 140/2012;
- v) considered that the invariance of the compensation for the Board of Statutory Auditors for the whole period of duration of the commitment is not imposed by any literal interpretation of the law and considered, on the contrary, that the corrected interpretation of the law provision could permit the increase of the compensation of the control body;

the Board of Directors considers appropriate to propose to the shareholders meeting to align, starting from the moment of appointment, the above mentioned compensation at the minimum level of the rates indicated by the Decree of the Ministry of Justice no. 140 on 20 July 2012, providing for an increase in the compensation of the Chairman, within the limits set by the above mentioned decree, with rounding up to lower 5,000 euros, in addition to the reimbursement of expenses incurred for the appointment.

The Board of Directors of the Company will therefore formulate, during the Shareholder Meeting, the following proposal of determination to the Shareholders:

“The Ordinary Meeting of the Shareholders of Aeffe S.p.A., held with a voting quorum today, 12<sup>th</sup> April 2018, taking note the proposal of the Board of Directors and of the illustrative report of the Board of Statutory Auditors dated 8<sup>th</sup> March 2018,

resolves

to align the compensation of the Board of Statutory Auditors at the minimum level of the rates indicated by the Decree of the Ministry of Justice no. 140 on 20 July 2012, starting from the moment of appointment and with rounding up to lower 5,000 euros, in addition to the reimbursement of expenses incurred for the appointment.”

San Giovanni in Marignano, 13<sup>th</sup> March 2018

for the Board of Directors  
The Chairman - *Massimo Ferretti*

Courtesy translation. In case of discrepancy with the Italian version, the latter will prevail.

## EXHIBIT A

San Giovanni in Marignano, 8<sup>th</sup> March 2018

Re: Report of the Statutory Auditors concerning the point 4 of the Agenda of Shareholders Meeting of Aeffe SpA – listed on the Star segment – called for the next 12<sup>th</sup> April 2018.

The Board of Directors of “AEFFE S.p.A.” on the last 8<sup>th</sup> March, decided, between the other points in agenda, the “*Modification of the emoluments due to the Board of Statutory Auditors for years from 2017 to 2019*”, adapting it to the current regulations governing this matter.

The above resolution is necessary to comply the Company with the provisions of the current legislation concerning the remuneration of the Board of Statutory Auditors, in accordance with article 29 of the D.M. 20 July 2012 n. 140.

The Board of Statutory Auditors settlement, as established today, took place on April 12, 2017 but, unfortunately, in determining the remuneration due to the Monitoring Body, it did not focus on the modifications fixed in the Code of Self-Regulation, by the Corporate Governance Committee, with the reform of 9 July 2015.

The modifications mentioned in the previous paragraph involve, among other things, also the criterion for determining the remuneration due to the control Body. In fact, the article 8.C.3 of the above Code of Self-Regulation provides that: “*The remuneration of the statutory auditors is commensurate with the required commitment, the relevance of the covered role and the dimensional and sectoral characteristics of the company*”; so aligning the economical condition of the control Body to the condition applied to what is already foreseen for the non executive directors.<sup>5</sup>

The interpretation of what is reported in the hook leads us to believe that there cannot be a difference in economic treatment between the non-executive Directors and the members of the Board of Statutory Auditors<sup>6</sup>, especially considering the major

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<sup>5</sup> 6.P.2.: “The remuneration of non-executive directors shall be proportionate to the commitment required from each of them, also taking into account their possible participation in one or more committees.”

<sup>6</sup> Prof. avv. Daniele Ugo Santosuosso – Full Professor of commercial jurisprudence – University La Sapienza - Rome

commitment that is normally required to Statutory Auditors than to non-executive Directors, with the exception of rare cases.

The motion submitted to your approval provides that the remuneration, determined pursuant the above legislation, will be quantified in a e minimum level indicated by the law (and, in particular, in table C - box 11 - attached to Ministerial Decree 140/2012), despite the specific complexity of control activities for listed companies; this also with the aim of a modest cost increase on the Group's results.

The above indicated motivates the retroactivity of the modification of the compensation to the Control Body; the same resolution, included in the Agenda of the Shareholders' Meeting called for April 12, provides for an intervention on the remuneration related to the year just ended. This is therefore an *emendatio ope ingenii*, designed to removing an unequal treatment on which the Corporate Governance Committee intervened with the reform of the self-regulation code, based on conjectural elements.

Furthermore, it is considered that the proposal to adjust the remuneration, and the consequent possible resolution of the Shareholders' Meeting in this sense, would be fully consistent with the ratio underlying the precept referred to in art. 2402 of the Civil Code, determining no vulnus, not even potential, for the autonomy of the control body. As a matter of fact, the adjustment would be a strengthening of the autonomy and authority of the control body: values that, in listed companies represent a primarily protection for minority shareholders - and more generally for the market - and find their confirmation, and their guarantee, in the circumstance that "*the measure of the proposed compensation*" for the Board of Statutory Auditors is "*adequate to remunerate the competence, the experience and the commitment with which it must carry out the appointment, considering the importance of the function carried out*".

As a result of the immanence of the remuneration of the control body, fixed in article 2402 of the Civil Code, the modification to the Code of Self-Regulation concerning the statutory auditors of listed companies should have been applied starting from the first renewal of the control body, following as of 1 January 2015, i.e- with the appointment of last 12 April 2017.

**THE BOARD OF STATUTORY AUDITORS**

Angelo MIGLIETTA

Carla TROTTI

Fernando CIOTTI

