

F.I.L.A. – FABBRICA ITALIANA LAPIS ED AFFINI S.P.A.
2015 CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE REPORT
as per Article 123-*bis* of Legislative Decree No. 58/1998



(traditional administration and control model)

Issuer: F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.

Website: www.fila.it

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PRINCIPAL DEFINITIONS

The principal definitions utilised in the present Report are illustrated below.

Borsa Italiana	Borsa Italiana S.p.A., with registered office at Milan, Piazza degli Affari No. 6.
Civil Code	refers to Legislative Decree 262 of March 16, 1942, and subsequent amendments and supplements.
Self-Governance Code	the Self-Governance Code of listed companies approved in July 2015 by the Corporate Governance Committee and promoted by Borsa Italiana., ABI, Ania, Assogestioni, Assonime and Confindustria, available on the website www.borsaitaliana.it in the section "Borsa Italiana - Regulation - Corporate Governance".
Consob	the National Commission for Companies and the Stock Exchange, with registered office in Rome, Via G.B. Martini No. 3.
Effective Merger Date	June 1, 2015.
Listing Date	the commencement date of trading of ordinary shares of Space on the MIV professional segment, i.e. December 18, 2013.
Reporting Date	December 31, 2015.
Issuer, FILA or Company	the company resulting from the Merger, F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A., with registered office at Pero (MI), Via XXV Aprile, No. 5, REA No. 2022589, Milan Company's Registration and Tax No. 08391050963.
Merger	the merger by incorporation of FILA, completed on the Effective Merger Date.
FILA Group	FILA and the subsidiaries pursuant to Article 2359, paragraph 1.1 of the Civil Code and associates pursuant to Article 2359, paragraph 3 of the Civil Code included in the consolidation scope.
Stock Exchange Instruction Regulation	the Instructions to the Regulation for Markets organised and managed by Borsa Italiana.
MIV	the Investment Vehicles Market organised and managed by Borsa Italiana.
MTA	the Italian Stock Exchange organised and managed by Borsa Italiana.
Operation	the reorganisation between Space and F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A., as approved by the Board of Directors of the above-mentioned companies on January 15, 2015, undertaken principally through the Merger.
Pencil	Pencil S.p.A. with registered office at Piazza Carlo Felice

		No. 7, Turin.
Reference Period		the period between the Effective Merger Date and the Reporting Date.
Space Reference Period		the period between January 1, 2015 and the Effective Merger Date.
SME's		small and medium-sized issuers of listed shares pursuant to Article 1, paragraph 1, letter <i>w-quater</i> 1), of the CFA.
Listing		admission to trading on the professional segment of the MIV of the ordinary shares of Space.
Stock Exchange Regulation		the regulation for markets organised and managed by Borsa Italiana, and subsequent amendments and supplements.
Issuers' Regulation		the enacting regulation of the CFA concerning the governance of issuers, adopted by Consob with motion No. 11971 of May 14, 1999 and subsequent amendments and supplements.
Related Regulation	Parties	the regulation adopted by Consob Resolution No. 17221 of March 12, 2010 (as subsequently amended) in relation to transactions with related parties.
Report		the present Corporate Governance and Ownership Structure Report, prepared in accordance with Article 123- <i>bis</i> of the CFA.
Space		Space S.p.A.
Space Holding		Space Holding S.r.l., with registered office at Piazza Cavour No. 1, Milan, promotor of Space.
Sponsor Warrant		warrants pursuant to the regulation of the "Sponsor Warrant Space S.p.A.".
By-Laws		the By-Laws of the Company in force at the reporting date.
CFA		Legislative Decree No. 58 of February 24, 1998, as subsequently amended and supplemented.
VEI		Venice European Investment Capital S.p.A.

1. INTRODUCTION

In the first half of the year ended December 31, 2015 the Merger, i.e. the merger by incorporation of F.I.L.A. - Fabbrica Italiana Lapis ed Affini S.p.A. into Space, became effective, in which Space succeeded all rights and obligations of the incorporated company and assumed the new name “F.I.L.A. Fabbrica Italiana Lapis ed Affini S.p.A.”. As indicated above, the definitions “Company”, “FILA” and “Issuer” refer in this Report to the company resulting from the Merger.

The legal, accounting and tax effects of the merger run from the Effective Merger Date.

The documents related to the Merger, including the prospectus for the admission to trading on the MIV of the ordinary shares issued within the Merger, are available on the Company’s website www.fila.it, in the Governance section.

On November 10, 2015, Borsa Italiana approved, effective as of November 12, 2015, the listing of ordinary FILA shares on the MTA (“Mercato Telematico Azionario”) market, STAR segment, with the simultaneous discontinuation of trading on the MIV market. The summary document, published pursuant to Article 57, paragraph 1, letter h), of the Issuers’ Regulation, relating to the transfer of trading from the MIV to the MTA, STAR segment, is available on the Company’s website www.fila.it, in the Governance section.

In consideration of the amendments to the governance and shareholder structure of the Company following the Merger, the present Report is structured as follows:

- (i) disclosure concerning the corporate governance and ownership structure of Space is contained at Attachment A to the present Report and, except where otherwise specified, refers to the period between January 1, 2015 and the Effective Merger Date;
- (ii) disclosure concerning the corporate governance and ownership structure of the Issuer for the Reference Period is contained in the body of the present Report.

2. COMPANY PROFILE

FILA, a successful enterprise operating on the market for approx. 90 years, is the leader in Italy and, through the subsidiary Dixon Ticonderoga Company, in the United States of America and Mexico, in the production and sale of tools for colouring, design, modelling and writing, principally for play, study, work and figurative and graphic art.

FILA has achieved outstanding success in Italy through its colouring, drawing, modelling, writing and painting tools and is now seen as the pinnacle for creative solutions across many countries thanks to brands such as Giotto, Tratto, Das, Didò, Pongo and Lyra. Founded in Florence in 1920, FILA is a highly consolidated, dynamic and innovative industrial enterprise and continues to grow market share. Managed since 1956 by the Candela family, the Group has established global reach.

The company has achieved strong growth over the last twenty years, with revenue of over Euro 230 million in 2014, while undertaking a series of strategic acquisitions: the Italian Adica Pongo in 1994, the US Dixon Ticonderoga in 2005, the German LYRA in 2008, the Mexican Lapiceria Mexicana in 2010, the Brazilian Lycin in 2012, the Indian Writefine Products Private Limited in 2011 - with the acquisition of a further holding of 32.5% in 2015 increasing FILA's stake to 51% - and the UK Group Daler-Rowney Lukas in February 2016. In 2014, FILA and Maimeri - a highly-renowned Italian enterprise involved in the production and sale of colours, paints and fine art products and accessories - set up Industria Maimeri. The joint venture was a major step in the FILA Group's expansion on the fine arts market.

FILA operates through 14 production facilities and 19 subsidiaries across the globe and employs approx. 5,000.

The Company has adopted the traditional administration and control model with the following bodies and committees:

- (i) The Shareholders' Meeting;
- (ii) The Board of Directors, which also operates through the Chief Executive Officer;
- (iii) The Board of Statutory Auditors;
- (iv) The Control and Risks Committee;
- (v) The Remuneration Committee;
- (vi) The Related Parties Committee;
- (vii) The Supervisory Board;
- (viii) The Independent Audit Firm.

3. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, OF THE CFA)

3.1 SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), OF THE CFA)

3.1.1 Share capital and shares of the Company

At the date of the present Report, the subscribed and paid-in share capital of FILA amounts to Euro 37,170,830, divided into 41,232,296 shares, of which 34,665,788 ordinary shares and 6,566,508 special B shares (**B Shares**), all without nominal value.

The share capital of FILA is comprised of the following class of shares:

Class	No. of shares	% of share capital	Listed / Non listed
Ordinary shares	34,665,788	84.07%	MTA - STAR Segment
B Shares (multi-vote shares)	6,566,508	15.93%	Non-listed

The shares, both ordinary and B Shares are subject to the dematerialisation rules pursuant to Article 83-*bis* and thereafter of the CFA.

The ordinary shares are to bearer, indivisible, freely transferable and confer to the owners equal rights. In particular, each ordinary share attributes the right to one vote at the Ordinary and Extraordinary Shareholders' Meeting of the Company, as well as additional equity and administrative rights pursuant to the By-Laws and statutory law.

In accordance with Article 5.4 of the By-Laws, the B shares attribute the same rights as the ordinary shares, with the exception of:

- each B Share confers the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any statutory limitation;
- they automatically convert into ordinary shares, based on one ordinary share for each B Share (without a resolution of the B Shares special shareholders' meeting or of the shareholders' meeting of the Company) in the event of (i) disposal to parties who are not already shareholders of B Shares, except where the transferee is a parent, is controlled by or under common control of the transferor and, provided that, in this case, where the transferee loses the status of parent, is controlled by or under common control of the transferor, all the B Shares held by them are automatically converted into ordinary shares, based on one ordinary share for every B Share; and in the event of (ii) a change in control of the owner of the B Shares, where the parent of the owner concerns the party which, pursuant to current regulations, is required to issue the communications on significant shareholdings (the **Ultimate Parent**) and with the exception of where the change in control occurs (1) not by deed between living parties; or (2) by deed between living parties in favour of parties that are direct descendants of the Ultimate Parent and/or in favour of companies or other entities directly or indirectly controlled by the Ultimate Parent or by its direct descendants or in which they are beneficiaries, while the change of control exclusively to joint control with third parties who act in concert with the Ultimate Parent does not constitute a change of control for the purposes of this paragraph;

- they may be converted, in all or in part and also in several tranches, into ordinary shares on the simple request of the owner, to be sent to the Chairman of the Board of Directors of FILA and in copy to the Chairman of the Board of Statutory Auditors, also based on one ordinary share for every B Share.

The conversion is ratified by the Board of Directors with resolutions taken by statutory majority. In the event of omission by the Board of Directors, the conversion is ratified by the Board of Statutory Auditors with the approval of a majority of those present.

Ordinary shares may not be converted into B Shares.

The Company may issue B Shares limited to the following cases (a) share capital increases pursuant to Article 2442 of the Civil Code or through new conferment without exclusion or limitation of the option right, in any case together with ordinary shares; and (b) mergers or spin-offs.

In the event of share capital increases to be undertaken only through the issue of ordinary shares, the right to subscribe to the issue of ordinary shares will be recognised to all shareholders (except where the relative option right is excluded in accordance with law or is not applicable) in proportion and in relation to the shares - both ordinary or B Shares - held at the moment of the share capital increase. In such an event, the passing of the relative motion pursuant to Article 2376 of the Civil Code by the special shareholders' meeting of the B Shares is not required.

In the event of a share capital increase through the issue of ordinary or B Shares: (i) the number of the ordinary and B Shares to be issued must be proportional to the number of ordinary and B Shares of the share capital at the date of the relative resolution; and (ii) the ordinary and B Shares to be issued must be offered to each shareholder in relation to and in proportion to, respectively, the ordinary and B Shares held at the date of the share capital increase, noting that the B Shares may only be subscribed by shareholders already holders of B Shares; in the absence of subscription of the newly issued B Shares by the shareholders of the B Shares, the B Shares will automatically convert into ordinary shares based on one share for every B Share and will be offered to the other shareholders in accordance with applicable legal provisions.

Where the Company participates in a merger by incorporation as the incorporating company or in a merger, the holders of the B Shares will have the right to receive, within the share swap ratio, shares with the same characteristics - in relation to the multi-voting rights – as the B Shares, in accordance with applicable legal provisions.

For complete disclosure, we report that 460,000 special shares of the Issuer (**C Shares**) without voting rights, issued originally by Space and owned by Space Holding were all converted on the occurrence of the conditions of the By-Laws of the Issuer in force in the Reference Period, in the ratio of 5 ordinary shares for each C Share.

Therefore, from December 16, 2015 the share capital of the Issuer no longer comprises C Shares.

3.1.2 Warrants

On October 9, 2013, the Extraordinary Shareholders' Meeting of Space approved the divisible paid-in share capital increase for a maximum amount, including share premium, of Euro 9,750,000, through the issue of a maximum 750,000 Sponsor Warrants and in accordance with the conditions of the relative regulations approved by

the same Extraordinary Shareholders' Meeting. Following this resolution, 690,000 warrants were issued, all assigned to Space Holding.

On January 15, 2015, the Board of Directors of Space pursuant to Article 6.2 of the Sponsor Warrant regulation approved some amendments to the "Exercise Price" of the Sponsor Warrants, in order to adjust the terms and conditions of the exercise of the Sponsor Warrants in the event of the distribution of reserves within the Operation.

At the date of the present Report, Space Holding holds all of the Sponsor Warrants (i.e. 690,000): the Sponsor Warrants are exercisable, against the assignment of one ordinary share of FILA for each Sponsor Warrant, on the third stock market trading day of the second calendar month subsequent to the Effective Merger Date, in accordance with the terms and conditions of the Sponsor Warrant regulation.

The Sponsor Warrants are not listed on any regulated market.

The Sponsor Warrant Regulation is published on the website of the Issuer (www.fila.it – Governance Section).

3.2 RESTRICTION ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER B), OF THE CFA)

At the date of the present Report, there are no restrictions on the transfer of the ordinary shares of the Company, subject to that illustrated below.

It is recalled that Space Holding undertook a lock-up commitment with Space on the ordinary shares from the conversion of Class C Shares in accordance with the following terms: (i) with reference to the ordinary shares of FILA from the conversion of 161,000 Class C Shares due to the completion of the Merger, the lock-up commitment will be for a duration of 12 months from the Effective Merger Date and (ii) with reference to the ordinary shares of FILA from the conversion of the Class C Shares on the occurrence of certain events indicated in the By-Laws of the Issuer, the lock-up commitment will be for a duration of 6 months from the relative conversion, subject to the fact that where the conversion occurs in the 12 months subsequent to the Effective Merger Date, the lock-up commitment will last until the later date between a) 12 months from the Effective Merger Date and b) 6 months from the conversion.

Pursuant to the shareholder agreement signed on January 15, 2015 between Space, Space Holding, Pencil and VEI (the **Shareholder Agreement**):

- (i) Pencil committed to a lock-up period with reference to the ordinary shares and Class B Shares of a period of 18 months from the Effective Merger Date, with some exceptions, including - among others - provisions within a public purchase offer, strategic operations or infra-group operations; and
- (ii) VEI committed to a lock-up period with reference to the ordinary shares for a period of 180 days from the Effective Merger Date, with some exceptions, including - among others - provisions within a public purchase offer, infra-group operations and operations authorised by the corporate broker of the Issuer.

There are no limits to holding shares of the Company, nor any clauses to restrict becoming a shareholder.

3.3 SIGNIFICANT HOLDINGS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER C), OF THE CFA)

The ordinary shares of the Company are traded within the management system authorised pursuant to the CFA.

At the date of the present Report, the Company is an SME; therefore, pursuant to Article 120, paragraph 2 of the CFA, the significance threshold for the purposes of the communication obligations of significant shareholdings is equal to 5% of the voting share capital.

Based on the information available, the shareholders which, at the date of this Report, have holdings of above 5% of the voting share capital of the Issuer, directly or indirectly, including through nominees, trusts and subsidiaries, are reported in the table below:

Shareholder	Direct shareholder	% of ordinary share capital	% of voting share capital
Massimo Candela	Pencil S.p.A.	37.885%	60.39%
Jacopo Meneguzzo	Venice European Investment Capital S.p.A.	11.297%	7.20%
Space Holding	Space Holding	6.635%	4.23%
Free float		44.183%	28.17%
Total		100.00	100.00

3.4 SHARES WHICH CONFER SPECIAL RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER D), OF THE CFA)

There are no securities which confer special control rights or securities with special powers pursuant to the regulations and statutory provisions, except for that outlined below.

Each B Share has the right to three votes pursuant to Article 127-*sexies* of the CFA at all Shareholders' Meetings of the Company, subject to any legal limitations and confer all rights and obligations indicated at paragraph 3.1.1 of the present Report.

The By-Laws do not contain provisions upon multi-vote shares in accordance with Article 127-*quinquies* of the CFA.

3.5 EMPLOYEE SHARE-PARTICIPATION RIGHTS: METHOD FOR THE EXERCISE OF VOTING RIGHTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER E), OF THE CFA)

At the date of this Report, the Company has not adopted any employee share-participation rights in favour of directors and/or future employees. For further information, reference should be made to the remuneration report prepared pursuant to

Article 123-ter of the CFA and Article 84-quater of the Issuers' Regulation, available on the Company website www.fila.it - Governance section.

3.6 VOTING RESTRICTIONS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER F), OF THE CFA)

There are no restrictions on voting for holders of ordinary or B Shares.

3.7 SHAREHOLDER AGREEMENTS (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER G), OF THE CFA)

Within the Operation, Space, Space Holding, Pencil and VEI on January 15, 2015 signed a Shareholder Agreement, which entered into force from the Effective Merger Date and for a duration of 3 years from that date.

The Shareholder Agreement concerns: (i) the appointment and composition of the Board of Directors and of the Board of Statutory Auditors of the company resulting from the Merger; (ii) the rights of VEI after the Effective Merger Date; and (iii) the circulation of the shares of the company resulting from the Merger, i.e. FILA.

In accordance with the Shareholder Agreement, Pencil has, *inter alia*, undertaken commitments to ensure that the Board of Directors of the Company, until the approval of the FILA 2017 Annual Accounts, contains 2 directors appointed by Space Holding, of which 1 belonging to the underrepresented gender and independent pursuant to applicable regulations.

Pencil in particular undertook commitments to VEI:

- to ensure the presence on the Board of Directors of FILA, until the approval of the 2017 Annual Accounts, of 1 director appointed by VEI;
- in relation to the appointment of the members of the Board of Directors of FILA until the approval of the 2017 Annual Accounts, subject to the fact that on that date VEI holds a stake in the share capital of the Issuer equal to at least 6%, the commitment to: (a) present a slate with the presence of one candidate nominated by VEI and to vote for this candidate for the duration of the three-year period; (b) ensure the presence on the Board of Directors of 1 director appointed by VEI;
- in relation to the appointment of the members of the Board of Statutory Auditors of FILA until the approval of the 2017 Annual Accounts, subject to the fact that on that date VEI holds a stake in the share capital of FILA equal to at least 6%, the commitment to present a slate with the presence of one standing auditor nominated by VEI (which must belong to the underrepresented gender of the slate presented by Pencil) and to vote for this candidate for the duration of the three-year period.

Pencil is committed, for the entire duration of the Shareholder Agreement, to consult VEI and inform them of its voting intentions with reference to certain Shareholders' Meeting resolutions.

The right of VEI to nominate 1 director and 1 statutory auditor and the relative commitments of Pencil, as well as the prior consultation commitments of Pencil to VEI, will lapse where VEI has a shareholding lower than 3% in the share capital of FILA, without taking into account any inter-group transfers.

Pursuant to the Shareholder Agreement, Pencil and VEI undertook lock-up commitments as described above.

Pursuant to Article 122 of the CFA, on January 20, 2015 an extract of the Shareholder Agreement was published in the daily newspaper "Il Sole 24 Ore", in accordance with Article 129 of the Issuers' Regulation, and the main information relating to the Shareholder Agreement (including the amendments made on June 3, 2015) was published on the website of FILA at www.fila.it - Governance section, in accordance with Article 130 of the Issuers' Regulation.

3.8 CHANGE OF CONTROL CLAUSE (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER H), OF THE CFA) AND STATUTORY PROVISIONS ON PUBLIC PURCHASE OFFERS (AS PER ARTICLE 104, PARAGRAPH 1-TER AND 104-BIS, PARAGRAPH 1, OF THE CFA).

At the date of this Report, the Company has not stipulated significant agreements that are effective or would be modified or discharged in the case of a change of control.

With reference to the current provisions in relation to purchase public offers, it should be noted that the Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1-bis of the CFA, nor expressly provide for the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

3.9 POWER TO INCREASE THE SHARE CAPITAL AND AUTHORISATION TO PURCHASE TREASURY SHARES (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER A), OF THE CFA)

3.9.1 Share capital increases

At the date of the present Report, the Board of Directors has not been delegated powers to increase the share capital pursuant to Article 2443 of the Civil Code, or to issue profit participation financial instruments.

3.9.2 Treasury shares

At the date of the present Report, the Company does not have treasury shares in portfolio.

3.10 MANAGEMENT AND CO-ORDINATION ACTIVITIES (AS PER ARTICLE 2497 AND SUBSEQUENT OF THE CIVIL CODE)

The Company is not subject to management and co-ordination pursuant to Article 2497 and subsequent of the Civil Code.

FILA is controlled pursuant to Article 93 of the CFA by Massimo Candela, through Pencil, in which Massimo Candela holds (i) directly 12% of the share capital and, (ii) indirectly, through the companies Wood I S.r.l. and Wood II S.r.l (in which he in turn holds 100% of the share capital), 52.92% of the share capital, and therefore, an overall shareholding of 64.92% of the share capital of Pencil.

The information required by Article 123-bis, paragraph 1, letter i) of the CFA (“*the agreements between the company and directorswhich provide indemnity in the case of resignation or dismissal from office without just cause or termination of employment following a public purchase offer*”) is illustrated in the Remuneration Report, published as per Article 123-ter of the CFA and Article 84-quater of the Issuers’ Regulation, available in accordance with the provisions of law on the website of the Company www.fila.it - Governance section.

The information required by Article 123-bis, paragraph 1, letter l) of the CFA) relating to the “*applicable regulations concerning the appointment and replacement of directors (.....), in addition to the amendment of the By-Laws if differing from applicable law and regulations*” is illustrated in the Board of Directors section.

4. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), OF THE CFA)

On March 15, 2016, the Issuer adopted the Self-Governance Code published on the website of Borsa Italiana (<http://www.borsaitaliana.it/borsaitaliana/regolamenti/corporategovernance/corporategovernance.htm>). During 2016, the Issuer therefore adopted all the measures and requirements in order to guarantee the effective implementation by the Company of the recommendations of the Self-Governance Code.

5. BOARD OF DIRECTORS

In accordance with current regulations for companies with listed shares on regulated markets, the Board of Directors is central to the governance system of the Company.

5.1 APPOINTMENT AND REPLACEMENT (AS PER ARTICLE 123-BIS, PARAGRAPH 1, LETTER L), OF THE CFA)

The Company is administered by a Board of Directors made up of between 7 and 12 members. The Shareholders’ Meeting establishes the number of members on the Board of Directors, which remains in place until otherwise resolved.

All directors must satisfy the eligibility and good standing requirements established by applicable law and other provisions. In addition, in accordance with the legal and regulatory requirements, a number of directors should be independent.

The Shareholders' Meeting appoints the Board of Directors on the basis of slates presented by the shareholders, in accordance with the procedure set out in the following paragraphs, except where otherwise established by obligatory laws or regulations.

Shareholders can present a slate for the appointment of Directors who, alone or together with other presenting shareholders, have a shareholding at least equal to that determined by Consob in accordance with applicable provisions and regulations. The ownership of the minimum holding is established considering the shares which have been registered in favour of the shareholder on the day on which the slates are filed with the Issuer; the relative certificate may be produced subsequent to filing of the slates, although within the time period established for the publication of the slates.

The slates must be filed at the registered office of the company according to the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the directors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates provide for a number of candidates not below 3 and not above 12, each listed by progressive number. The slates may not be composed of candidates only from the same gender (masculine or feminine); each slate must include a number of candidates of the underrepresented gender to guarantee the composition of the Board of Directors in accordance with legal and regulatory provisions in relation to gender equality (masculine and feminine), rounded upwards.

The following must be attached to each slate, or else shall be considered as not presented:

- (i) curriculum vitae of the candidates;
- (ii) declarations of the individual candidates, in which they accept their candidature and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations for the office of Director of the Company, including where applicable, declarations on the independence of candidates;
- (iii) the shareholders who have presented the slates and their total shareholding;
- (iv) any other further declaration, disclosure and/or document required by law and applicable regulatory rules.

Individual Shareholders, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of the CFA, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

The candidates elected at the end of the voting shall be those on the two slates that have obtained the highest number of votes as follows: (i) from the slate which obtained

the highest number of votes (the “**Majority Slate**”), all the directors shall be elected in progressive number, less one; and (ii) from the slate which obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who presented or voted for the Majority Slate (the “**Minority Slate**”) one director shall be elected, being the first candidate indicated on the slate.

Consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of slates.

Should two slates receive the same number of votes, a second vote of the entire Shareholders’ Meeting shall decide, with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the underrepresented gender), the elected candidate appearing last on the Majority Slate of the overrepresented gender is excluded and will be replaced by the first candidates from the same slate belonging to the other gender. Where it is not possible to implement this replacement procedure in order to guarantee compliance with legal and regulatory provisions concerning gender equality, the non-elected directors will be elected by the Shareholders’ Meeting through ordinary majority, with presentation of candidates belonging to the underrepresented gender.

Where the candidates elected do not ensure the number of independent directors as required by applicable regulations, the non-independent candidate(s) elected last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive numbering not elected in the same Majority Slate. Where this procedure does not ensure the required number of independent directors, the Shareholders’ Meeting will elect in accordance with ordinary majority, with presentation of independent candidates.

Where only one slate is presented, the Shareholders’ Meeting will vote on that slate and, where this slate receives the majority of the votes, all the members of the Board of Directors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations.

In the absence of slates, or where only one slate is presented and this slate does not receive the majority of the votes, or where the number of directors elected based on the slates presented is below the number of members to be elected, or where the entire Board of Directors need not be re-elected, or where it is not possible for whatever reason to proceed with the nomination of the Board of Directors with the above-mentioned procedures, the members of the Board of Directors will be appointed by the Shareholders’ Meeting through ordinary majority, without application of the slate voting mechanism, subject to the obligation to maintain the minimum number of independent directors established by law and in accordance with applicable law and regulations in relation to gender equality.

The directors are elected for a period, established by the Shareholders Meeting, of not greater than three years from the acceptance of their office and until the date of the Shareholders’ Meeting for the approval of the annual accounts for the last year of their appointment.

Where over half the directors appointed by the Shareholders' Meeting resign, the entire Board shall be deemed to have vacated office with effect from the re-appointment of the Board of Directors and the remaining directors must promptly call a Shareholders' Meeting for the appointment of the new Board of Directors.

Where during the year one or more directors elected from the slate which attained the second highest number of votes at the Shareholders' Meeting vacates office, the Board of Directors shall, where possible, co-opt an unelected candidate from the slate of the resigning director, subject to the obligation to maintain the minimum number of independent directors established by law and in accordance with applicable law and regulations in relation to gender equality.

The Board of Directors elects a Chairman from among its members, who remains in this position for the duration Board of Directors.

At the date of the present Report, the Board of Directors has not adopted a plan for the succession of executive directors.

5.2 COMPOSITION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

5.2.1 Members of the Board of Directors

The composition of the Board of Directors of the Issuer changed during the Reference Period.

In particular, from the Effective Merger Date and until the Shareholders' Meeting of July 22, 2015 which appointed the current Board, the Board of Directors of the Issuer was composed of the following members¹:

¹ On October 7, 2013, the Shareholders' Meeting of Space, on the incorporation of the above-mentioned company, appointed 5 members to the Board of Directors as follows: Gianni Mion (Chairman), Sergio Piero Franco Erede, Roberto Italia, Carlo Pagliani and Edoardo Subert. Subsequently, on October 9, 2013, the Shareholders' Meeting of Space supplemented the Board of Directors with suspensive motion subject to the completion of the Listing, through the appointment of three Independent Directors, as follows: Maria Patrizia Grieco, Micaela Le Divelec Lemmi and Alberto Amadio Tazartes, in office from the Listing Date. The duration of the mandate of these Directors was until the Shareholders' Meeting date called for the approval of the 2015 Annual Accounts. On July 29, 2014, the independent director Maria Patrizia Grieco resigned as an independent director. The Board of Directors co-opted a new director, in accordance with the provisions of Article 2386, paragraph 1, of the Civil Code, appointing the independent director Francesca Prandstraller. The Shareholders' Meeting of Space, held on February 20, 2015, confirmed the appointment of the independent director Francesca Prandstraller. On March 13, 2014, the Director Sergio Piero Franco Erede resigned as a non-executive director. The Board of Directors of Space decided not to co-opt a new director, in accordance with the provisions of Article 2386, paragraph 1, of the Civil Code and presented the matter to the Shareholders' Meeting. The Shareholders' Meeting of Space held on April 17, 2014 therefore approved the reduction in the number of directors from eight to seven members. On January 15, 2015, in accordance with the agreements reached with Pencil within the Operation, the

Office	Name	Date of appoint.
Chairman	Gianni Mion	October 7, 2013
Chief Executive Officer	Massimo Candela	June 1, 2015
Executive Director	Luca Pelosin	June 1, 2015
Director	Fabio Zucchetti	June 1, 2015
Director	Roberto Italia	October 7, 2013
Director	Micaela Le Divelec Lemmi	October 9, 2013
Director	Francesca Prandstraller	July 29, 2014

Following the resignations presented by the Directors Massimo Candela, Luca Pelosin, Fabio Zucchetti and Roberto Italia, it was necessary to appoint the new Board of Directors in accordance with applicable legal and regulatory provisions.

On July 22, 2015, the Shareholders' Meeting of the Issuer therefore approved the proposal to increase the number of members of the Board of Directors to nine in accordance with Article 11.16 of the By-Laws and the duration of the current Board for three financial years.

Therefore nine directors were appointed for the years 2015, 2016 and 2017, based on the two slates filed, or rather the slate filed by the shareholder Pencil, owner of 13,133,032 ordinary shares and 6,566,508 B Shares, which obtained 38,593,247 votes, equal to 95.401% of the voting share capital (**Slate 1**) and the slate filed by Anima SGR S.p.A., fund manager of: Fondo Anima Geo Italia, Fondo Anima Italia and Fondo Anima Star Italia Alto Potenziale; Arca SGR S.p.A., fund manager of: Arca Azioni Italia and Arca Economia Reale Equity; Eurizon Capital S.G.R. S.p.A., fund manager of: Eurizon Azioni Italia and Eurizon Azioni PMI Italia; Kairos Partners SGR S.p.A., as management company of: Kairos International SICAV comp. Risorgimento and Kairos International SICAV comp. Selection and Mediolanum Gestione Fondi Sgr.p.A., fund manager of: Mediolanum Flessibile Italia and Mediolanum Flessibile Sviluppo Italia, owner of 1,456,637 ordinary shares, which obtained 1,841,788 votes, equal to 4.553% of the voting share capital (**Slate 2**).

The following members were elected to the Board of Directors of FILA:

directors Carlo Pagliani, Edoardo Subert and Alberto Tazartes resigned with effect from the Effective Merger Date to enable the entry at that date onto the Board of Directors of the directors designated by FILA. The Board of Directors on January 15, 2015 therefore approved the replacement by co-optation of the afore-mentioned resigning directors with Massimo Candela, Luca Pelosin and Fabio Zucchetti appointed by Pencil, effective from the Effective Merger Date.

Office	Name	Slate
Chairman	Gianni Mion	Slate 1
Chief Executive Officer	Massimo Candela	Slate 1
Executive Director	Luca Pelosin	Slate 1
Director	Alberto Candela	Slate 1
Director	Fabio Zucchetti	Slate 1
Director	Annalisa Barbera	Slate 1
Director	Sergio Ravagli	Slate 1
Director	Francesca Prandstraller	Slate 1
Director	Gerolamo Caccia Dominioni	Slate 2

All the members of the Board of Directors complied with the requisites for good standing pursuant to Article 2 of the Ministry of Justice Regulation No. 162/2000, and enacted in Article 147-*quinquies* of the CFA and there was no eligibility or lapsing of office pursuant to Article 2382 of the Civil Code or, where applicable, Article 148, paragraph 3 of the CFA, as enacted in Article 147-*ter*, paragraph 4 of the CFA. In addition, the Independent Directors Francesca Prandstraller, Sergio Ravagli and Gerolamo Caccia Dominioni declared their independence in accordance with applicable regulations.

From the end of the Reference Period, there were no changes to the Board of Directors.

For further information on the slates filed for the appointment of the Board of Directors on July 22, 2015, reference should be made to the website of the Company www.fila.it, Governance Section, where the professional curriculum vitae of each director is available.

The table below reports the members of the Board of Directors currently in office and the directors that resigned during the Reference Period.

Board of Directors													Control and Risks Committee		Remuneration Committee		Related Parties Committee	
Office	Members	Year of birth	Date of first appoint.*	In office from	In office until	Slate **	Exec.	Non Exec.	Ind. Code	Ind. CFA	No. other offices ***	(*) Note 1	(*)/Note 1	(**)	(*) Note 1	(**)	(*) Note 1	(**)
Chairman	Gianni Mion	1943	October 7, 2013	July 22, 2015	At December 31, 2017	M					9	4/4						
Chief Executive Officer	Massimo Candela	1965	June 1, 2015	July 22, 2015	At December 31, 2017	M	X				1	3/4						
Executive Director	Luca Pelosin*	1966	June 1, 2015	July 22, 2015	At December 31, 2017	M	X				-	4/4						
Director (Honorary Chairman)	Alberto Candela	1939	July 22, 2015	July 22, 2015	At December 31, 2017	M		X			1	4/4						
Director	Annalisa Barbera	1969	July 22, 2015	July 22, 2015	At December 31, 2017	M		X			-	4/4			2/2	M		
Director	Francesca Prandstraller	1962	July 29, 2014	July 22, 2015	At December 31, 2017	M		X	X	X	1	4/4			2/2	P		
Director	Fabio Zucchetti	1966	June 1, 2015	July 22, 2015	At December 31, 2017	M		X			13	4/4	3/3	M			2/2	M
Director	Sergio Ravagli	1962	July 22, 2015	July 22, 2015	At December 31, 2017	M		X	X	X	5	4/4	3/3	M	2/2	M	2/2	M
Director	Gerolamo Caccia Dominioni	1955	July 22, 2015	July 22, 2015	At December 31, 2017	m		X	X	X	1	4/4	3/3	C			2/2	C

DIRECTORS RESIGNING DURING THE REFERENCE PERIOD												Control and Risks Committee		Related Parties Committee	
Office	Members	Year of birth	Date of first appoint/in office from	In office until	Slate**	Exec.	Non-Exec.	Ind. Code	Ind. CFA	No. other offices ***	(*) Note 2	(*) Note 2	(**)	(*) Note 2	(**)
Chairman	Gianni Mion	1943	October 7, 2013	December 31, 2015	-		X			9	1/1	-		-	
Chief Executive Officer	Massimo Candela	1965	June 1, 2015	December 31, 2015	Co-optation	X				1	1/1	-		-	
Executive Director	Luca Pelosin	1966	June 1, 2015	December 31, 2015	Co-optation	X				-	1/1	-		-	
Executive director	Roberto Italia	1966	October 7, 2013	December 31, 2015	-	X				11	1/1	-		-	
Director	Fabio Zucchetti	1966	June 1, 2015	December 31, 2015	Co-optation		X			13	1/1	-	M	-	
Director	Micaela Le Divelec Lemmi	1968	October 7, 2013	December 31, 2015	-		X	X	X	1	1/1	-	P	-	
Director	Francesca Prandstraller	1962	July 29, 2014	December 31, 2015	Co-optation		X	X	X	1	1/1	-	M	-	
Number of meetings held in the Reference Period: 5												Control and Risks Committee: 3		Related Parties Committee: 2	
Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Article 147 CFA): 4.5%															

NOTE

The following symbols must be indicated in the “Office” column:

- This symbol indicates the Director in charge of the internal control and risk management system.
- ◇ This symbol indicates the main person responsible for the Issuer’s operative management (Chief Executive Officer or CEO).
- This symbol indicates the Lead Independent Director (LID).

* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.

** This column indicates the slate from which each Director originated (“M”: majority slate; “m”: minority slate; “BoD”: slate presented by the BoD).

***This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

(*). This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(**). This column indicates the position of the Director on the Committee: “C”: chairman; “M”: member;

Note 1: the total number of meetings refers to those held from July 22, 2015 (included) to December 31, 2015.

Note 2: the total number of meetings refers to those held from June 1, 2015 to July 22, 2015 (excluded).

5.2.2 Maximum number of offices held in other companies

The Board of Directors has not defined the general criteria relating to the maximum number of offices of administration and control in other companies that may be considered compatible with the proper carrying out of their duties as directors of the Company.

However the Company, in 2016, intends to comply with the recommendations contained in Applicable Criteria 1.C.2 of the Self-Governance Code, relating to the obligation of the members of the Board of Directors to accept the office of director only when they believe they can dedicate the necessary time to diligently carry out their duties, also taking into account their work and professional commitments and offices held in financial, banking and insurance companies or of significant size listed on regulated markets (including abroad).

In relation to the offices held by the directors of the Issuer at the date of the present Report in financial, banking and insurance companies or of significant size listed on regulated markets (including abroad), other than belonging to the FILA Group, reference should be made to the table below.

Name	Company in which office held	Office in the company	State	
Gianni Mion	Benetton Group	Chairman	In office	
	Edizione S.r.l.	Vice Chairman	In office	
	Autogrill S.p.A.	Director	In office	
	Space Holding	Director	In office	
	Space 2 S.p.A.	Chairman	In office	
	Eurostazioni S.p.A.	Director	In office	
	Federmanager	Director	In office	
	Il Gazzettino S.p.A.	Director	In office	
	Immobiliare Cewa S.r.l.	Director	In office	
	Massimo Candela			
	Pencil	Shareholder and Director	In office	
Fabio Zucchetti		Pencil	Director	In office
		Online SIM S.p.A.	Statutory Auditor	In office
		Megadyne S.p.A.	Statutory Auditor	In office
		Ersel Investimenti S.p.A.	Alternate Auditor	In office
		Ersel SIM S.p.A.	Alternate Auditor	In office
		Diageo Operations Italy S.p.A.	Director	In office
		Diageo Italia S.p.A.	Director	In office
		EMARC S.p.A.	Chair. Board of Statutory Auditors	In office
		Finproject S.p.A.	Chair. Board of Statutory Auditors	In office
		Imafori Intl. S.p.A.	Chair. Board of Statutory Auditors	In office
		Maider IBC S.r.l.	Director	In office

Name	Company in which office held	Office in the company	State
	Amut S.p.A.	Chair. Board of Statutory Auditors	In office
	H.C.E. S.r.l.	Sole Statutory Auditor	In office
Francesca Prandstraller			
	Space 2 S.p.A.	Director	In office
Alberto Candela			
	Pencil	Chairman of the Board	In office
Sergio Ravagli			
	Rina S.p.A.	Vice Chairman	In office
	Finproject S.p.A.	Director	In office
	Venice Shipping and Logistic S.p.A.	Director	In office
	Palladio Corporate Finance S.p.A.	Director	In office
	Venice European Investment Capital S.p.A.	Executive Director	In office
Gerolamo Caccia Dominioni			
	Esperia Servizi Fiduciari S.p.A.	Director	In office

5.2.3 Induction Programme

At the date of the present Report, some meetings for the presentation of the FILA Group took place but initiatives have not yet been formalised to provide the directors with an adequate knowledge of the sector of activity in which the Issuer operates, of the business operations and its performance, as well as the regulatory framework. Also in consideration of the recent adoption by the Company of the Self-Governance Code, the Issuer will adopt all the necessary procedures to comply with the recommendations as per applicable criteria 2.C.2 of the Self-Governance Code during 2016.

5.3 ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARA. 2, LETTER D OF THE CONSOLIDATED FINANCE ACT

5.3.1 Powers attributed to the Board of Directors

The Board of Directors is vested with full powers for the ordinary and extraordinary management of the Company, with the authority to perform all acts deemed appropriate to achieve the corporate purpose, excluding only those reserved to the exclusive authority of the Shareholders' Meeting.

The Board of Directors, pursuant to Article 2365, paragraph 2, of the Italian Civil Code is furthermore empowered to adopt the following resolutions, without prejudice to the concomitant remit of the Shareholders' Meeting: (i) the establishment or closure of branch offices; (ii) the reduction of the share capital from a withdrawal; (iii) the amendment of the By-Laws in line with new regulatory provisions; (iv) the transfer of the registered office within Italy.

It is to be noted that, during 2016, the Board of Directors intends to comply with the recommendations contained in the application criterion 1.C.1 at paragraphs c) and g) of the Self-Governance Code by ensuring periodic assessment of the functioning, organizational adequacy and administrative and accounting duties of the company and of any subsidiaries with strategic importance, with particular reference to the internal audit and risk management system.

As of the date of this Report, the Shareholders' Meeting has not authorized any general and preemptive departure from the competition restrictions envisaged by Article 2390 of the Italian Civil Code.

5.3.2 Procedures and frequency of board meetings

The validity of Board resolutions requires the presence of a majority of its members in office, with resolutions approved by a majority of those present.

The Board of Directors elects a Chairman from its members, who remains in this office for the duration Board of Directors.

Under Article 12 of the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate as well as the number of members of the committee and its operating procedures.

The Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable

laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 13 of the By-Laws, the Board of Directors meets at the Company's registered office or another location, provided that the latter is within the European Union or Switzerland, whenever the Chairman deems it necessary or whenever a request is made by the Chief Executive Office, if appointed, or by at least two of its members or by the Board of Statutory Auditors.

The calling of the Board of Directors is made by the Chairman or, if absent, by the Chief Executive Officer, with notices to be sent, by letter, telegram, fax or email with proof of receipt, to the domicile address of each director and statutory auditor at least three days before the date set for the meeting; in case of urgency, the calling of the Board of Directors may be made the day before the date set for the meeting. The meetings of the Board of Directors and its resolutions are valid, even without formal calling, where all the directors and statutory auditors in office are present. In the absence of the Chairman, the chair of the meeting is to assumed by the Chief Executive Officer, if appointed, or failing that the most senior director.

The meetings of the Board of Directors may also be held by audio or video conference, provided that: (i) the Chairman and the Secretary, if appointed, are present in the same location and write and sign the minutes, verifying that the meeting was held in that location; (ii) the Chairman of the meeting may verify the identity of the participants, direct the course of the meeting and witness and announce the results of the voting; (iii) the person taking the minutes may adequately observe the events of the meeting to be recorded in the minutes; and (iv) participants may participate in the discussion and the simultaneous voting on the matters on the agenda, as well as view, receive or transmit documents.

The Board of Directors, after prior mandatory consultation with the Board of Statutory Auditors, shall appoint an Executive Officer for financial reporting, in accordance with Art. 154-*bis* of the CFA (the **Executive Officer**), granting this person the adequate means and powers for the accomplishment of the tasks assigned.

During the Reference Period, 5 meetings of the Board of Directors were held on the following dates: June 4, 2015, July 22, 2015, August 6, 2015, October 7, 2015, and November 13, 2015.

Minutes were kept for the meetings of the Committee.

The duration of the meetings were on average approximately two hours.

During 2016, in addition to the meetings already held on February 2, 2016, and March 15, 2016, 4 meetings of the Board of Directors are currently scheduled in accordance with the calendar of corporate events announced to the market and Borsa Italiana on the following dates: March 22, 2016 (Financial Statements at December 31, 2015); May 11, 2016 (Interim Report at March, 31, 2016); August 4, 2016 (Half-Year Report at June 30, 2016); November 9, 2016 (Interim Report at September 30, 2016).

During the Reference Period, given an overall percentage equal to 98.61% (of which 100% in the period between the Effective Merger Date and July 22, 2015 excluded, and 97.22% in the period between July 22, 2015 included and the Reporting Date), the percentage of participation of each Director was (i) 100% for all members, in relation to

the period between the Effective Merger Date and July 22, 2015; (ii) 100% for Gianni Mion, 100% for Annalisa Barbera, 100% for Gerolamo Caccia Dominioni, 100% for Alberto Candela, 75% for Massimo Candela, 100% for Luca Pelosin, 100% for Francesca Prandstraller, 100% for Sergio Ravagli and 100% for Fabio Zucchetti, for the period between July 22, 2015 and the Reporting Date.

During the Reference Period, the Chairman of the Board of Directors ensured that the documentation relating to the matters on the agenda was made available to the directors and statutory auditors with sufficient time before the date of each Board meeting.

The timeliness and completeness of pre-meeting information is guaranteed by communication of the documentation with an advance of at least 2 days before the date of the meeting of the Board of Directors. This term was generally respected.

5.4 EXECUTIVE BODIES

In accordance with the By-Laws, the Board of Directors may delegate part of its powers to an Executive Committee, determining the limits of such mandate, as well as the number of members of the committee and its operating procedures.

Under Article 12.3 of the By-Laws, the Board of Directors may appoint one or more executive directors, granting them the relevant powers and conferring to one of them, where applicable, the role of Chief Executive Officer. In addition, the Board of Directors may also establish one or more committees with consulting, advisory, or audit functions in accordance with applicable laws and regulations. The Board of Directors may also appoint General Managers, defining their powers and granting powers of attorney to third parties for certain acts or categories of acts.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record). Representation also rests with the directors who have delegated powers granted by the Board of Directors, with the General Managers, senior management and attorneys-in-fact, within the limits of the powers conferred to them.

5.4.1 Chief Executive Officer and the Executive Director

On July 22, 2015, the Board of Directors appointed Massimo Candela as Chief Executive Officer and Luca Pelosin as Executive Director, assigning to them the respective powers indicated below.

The Chief Executive Officer is the primary responsible party for the management of the Issuer.

(a) Powers of the Chief Executive Officer Massimo Candela

Attributed to the Chief Executive Officer Massimo Candela are all powers of ordinary and extraordinary administration, to be exercised with separate signature, with the exclusive exception of those concerning the following matters, which, together with those mandatorily provided for by applicable law, remain the exclusive competence of the Board of Directors:

- (a) The approval of consolidated budgets and business plans and amendments and adjustments to the same approved consolidated budgets and business

plans;

- (b) The listing of one of the subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code;
- (c) The disposal of treasury shares except where carried out under execution of a specific Shareholders' Meeting resolution;
- (d) The acquisition, in any capacity and in any form, of investments or of companies or of business units with a value in excess of Euro 1,000,000, calculated with reference to 100% of the relative enterprise value, including any price component dependent on the results of the Company, as well as any conditional or deferred payment;
- (e) Disposals (or other transfers), in any capacity and in any effective form, of investments or of companies or of business units of the Company, with a value (calculated with reference to 100% of its enterprise value, including any price component dependent on the results of the Company, as well as any conditional or deferred payment) per transaction in excess of Euro 1,000,000, or together with other transactions over the previous 12 months, in excess of Euro 1,000,000;
- (f) The creation of any lien on company assets for single amounts that are in excess of Euro 2,500,000 or for amounts that together with other transactions over the previous 12 months are in excess of Euro 5,000,000;
- (g) The establishment of subsidiaries, the acquisition of fixed assets, including real estate or real estate companies, in any form, including via financing, with a unitary value in excess of Euro 1,000,000, or together with other transactions over the previous 12 months, with a collective value in excess of Euro 5,000,000;
- (h) Disposals (or other transfers) of fixed assets, including real estate and real estate companies, in any effective form, which individually exceed the amount of Euro 1,000,000, or together with other transactions over the previous 12 months, exceed the amount of Euro 5,000,000;
- (i) Any corporate restructuring operation, including the establishment or closure of any branches or of any subsidiaries pursuant to Article 2359 of the Italian Civil Code, which carry a cost both for the Company and each of the subsidiaries of the Company, within the meaning of Article 2359 of the Italian Civil Code, in excess of Euro 1,000,000;
- (j) The assigning of a remuneration higher than Euro 10,000 to any non-executive director of the subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code;
- (k) The approval of share-based incentive plans for executives and employees of the Company and of subsidiaries of the Company pursuant to Article 2359 of the Italian Civil Code;
- (l) The undersigning and the execution of any agreement with the majority shareholder or with companies controlled by or connected to this party within the meaning of Article 2359 of the Italian Civil Code not naturally belonging to the FILA Group;

- (m) The signing of contracts, and subsequent amendments thereto, concerning the provision of services by third parties to the Company (excluding utilities), including intellectual property license agreements, insurance contracts and leases, of a unitary cost in excess of Euro 1,000,000 on an annual basis;
- (n) The assumption by the Company of new third party financing in unitary amounts in excess of Euro 2,500,000, with the express exclusion of:
 - (i) Any changes to existing financing, including the issuing of consents and/or revocations, renewals or extensions thereof;
 - (ii) The subscription of new credit lines to substitute any credit lines already in place;
 - (iii) Inter-company loans;
 - (iv) Loans granted on the submission of invoices or other similar operations.

The powers above include the appointment of general or special attorneys for certain duties.

(b) Powers of the Executive Director Luca Pelosin

Attributed to the Executive Director Luca Pelosin are the roles of head of logistics, of production, of purchasing, of personnel and of information technology, of supervision of marketing and ordinary administrative powers aimed at ensuring the accomplishment of the assigned duties, including, by way of example and without limitation, the following powers, to be exercised with separate signature, in compliance with any spending limits and the exclusions set forth below:

- (a) To sign ordinary correspondence and debit and credit notes;
- (b) To collect letters and registered and insured letters, parcels and rail and post parcels, or other dispatches and packages of any kind;
- (c) To provide for customs clearance at any customs office and in particular to sign and submit customs declarations, to make and withdraw deposits from any customs offices, to attend inspections of goods, to provide for their release by performing any other task necessary for the fulfillment of the mandate;
- (d) To carry out all UTIF [Revenue and Excise Office] operations and specifically to sign and to submit relevant statements and to perform any other task necessary for the fulfillment of the mandate;
- (e) To represent the Company in relation to any administrative authorities, public entities or public offices;
- (f) To perform all banking transactions that are not issuances of promissory notes, acceptances of drafts, establishment of pledges, of sureties or of endorsements and so forth and by way of example: to open current accounts also in overdraft and to contract advances;
- (g) To make funds available by signing checks or money orders or by any other means within the limits Euro 50,000 for each individual transaction, as well as within the limits of loans provided by various lenders with joint signature with the Chief Executive Officer Massimo Candela, with Messrs. Stefano De Rosa and Daniele Nastasia or any other legal representative with adequate powers;

- (h) To sign documents relating to imports or exports with banking institutions;
- (i) To demand and collect, for any reason and for any amounts, sums, credits, securities, warrants and deposits, whether from the issuer, from the deposits and loans fund, from both provincial and municipal treasuries and accounts offices, from customs, railway offices, post and telegraph offices or generally from any public or private payer, issuing related receipts and releases;
- (j) To represent the Company in any bankruptcy, composition and insolvency proceedings, filing and contending the claims and rights of the Company, and performing any act for their protection, to sign acts of obligation and to proceed with enforcement measures; for the above, to appoint legal representatives;
- (k) To represent the Company at the offices of state and private railways operators, of airline and shipping companies and of other carriers generally and at any government office or stated-owned entity or at any post, telegraph, telephone or customs office for all operations of shipping, clearance and collection of valuables and goods, thereby signing any forms, receipts, releases, discharges and so on, and filing any eventual claims;
- (l) To stipulate, with all opportune clauses, to amend and to terminate, regarding any individual, corporate or public entity, contracts and agreements of any kind and nature for the purchase of raw materials, of semi-finished goods and of the provision of services, both destined for Italy and destined for or from abroad, and in general anything that can form part of the mandate described above; to make intra-Community transactions, to import and/or to export to countries within the European Union and to those outside the European Union, following relevant procedures and signing any documentation or act necessary to this end, including customs documents, intra-state declarations for intra-Community transactions and anything else deemed necessary;
- (m) To hire, to transfer, to suspend and to dismiss employees and so to manage personnel in all respects, including to set and to amend conditions, roles, qualifications, categories and grades; to determine the salaries, fees and duties; to stipulate employment contracts or to amend or terminate such contracts; to notify employees of any infractions and impose corresponding disciplinary measures; to administer personnel and so ensure the management and liquidation of wages and severance, to provide for the fulfillment of tax and insurance contributions towards relevant institutions, completing the related forms and making payments and adjustments as required and approved by the provisions in force; to provide for the fulfillment of fiscal and tax compliance to which the Company is bound including the filling out of relevant forms and the making of relevant payments, with the power, among other things, to sign statements, declarations, claims, petitions and any other act; to perform within the powers conferred, all other acts of administration considered appropriate in the interests of the Company; to represent the Company both in Italy and abroad regarding labor relations and related obligations and therefore in relation to states, regions, provinces, municipalities, districts, ministries, labor inspectorates and offices, agencies, sections, national health services, administrative bodies, health units, social security and insurance institutions, banks and financial institutions, central and local governments and financial and tax offices, tax litigation bodies and all other authorities, institutions, central and

local administrations, public and private institutions, individuals and corporate and public legal entities, with the broadest of powers, without limitation, and so with the right to put forward declarations, petitions, motions, appeals and oppositions in relation to any administrative authority, sustaining related discussions with all of the above mentioned entities and representing the Company also regarding the definition of related disputes or settlements, nothing excluded or excepted; to represent the Company in relation to trade union organizations of both employers and employees in any location and facility, with the authority to enter into agreements also applying to the entire company and to settle disputes; to represent the Company in relation to conciliation and arbitration boards provided for by union agreements, with the power to settle related disputes; to accept arbitration, appoint arbitrators and conclude arbitration agreements to define labor litigation; to represent the Company in labor disputes, both in court and out of court and in relation to trade unions, to arbitration, to provincial directorates of labor or to similar regional and ministerial bodies and relative conciliation commissions, and also in the case where laws in force provide for the personal appearance of the parties, with the express right to reconcile and to settle, to make and to amend petitions, applications, exceptions and conclusions, to respond to questioning whether informal or formal, to explain the facts of the case, to propose and to oppose evidence, to intervene in discussions, to participate in reconciliation efforts, to reconcile and to settle disputes, to sign the minutes of non-conciliation, indicating solutions and stating the amount of credit pertaining to the employee, to elect domiciles, to sign and submit documents, to appoint and to dismiss prosecution, defense and technical legal counsel concerning the related subject matter; to perform all that is opportune and necessary, with specific reference to Articles 410, 411, 412 and 420 of the Italian Code of Civil Law, as in the text of Law No. 533 of August 11, 1973; to perform any other act and to act in any situation in the field of labor relations and personnel management considered appropriate in the interests of the Company, including claims for damages to liable third parties and/or to insurers or to indemnifying bodies with the power to settle any disputes.

The powers above include to appointment of general or special attorneys for certain duties.

5.4.2 *Honorary Chairman*

According to Article 12.5 of the By-Laws, on the proposal of one or more shareholders representing at least 20% of the share capital, the Shareholders' Meeting may proceed to appoint a Chairman with honorary functions, entitled the "Honorary Chairman", selected from among persons of high standing and who have contributed to the establishment, success and/or growth of the Company. The Honorary Chairman may also be appointed from outside the members of the Board of Directors; in such case the Honorary Chairman may remain in office longer than the term of the Board of Directors. The Honorary Chairman, where not a director of the board, may participate at meetings of the Board of Directors and the Shareholders' Meetings exclusively to express assessments and non-binding opinions on matters dealt with by the Board of Directors or by the shareholders, and may represent the Company on the basis of special powers of attorney issued in writing by the competent corporate boards. The

Board of Directors shall determine any fees or any other remuneration and/or reimbursement of expenses due to the Honorary Chairman.

On July 22, 2015, the Shareholders' Meeting of the Issuer resolved, upon the proposal of Pencil, to appoint as Honorary Chairman the director Alberto Candela.

To the Director and Honorary Chairman Alberto Candela, the Board of Directors resolved, on July 22, 2015, to confer the powers indicated below.

(a) Powers to be exercised with separate signature

- (a) To sign ordinary correspondence and debit and credit notes;
- (b) To collect letters and registered and insured letters, parcels and rail and post parcels, or other dispatches and packages of any kind;
- (c) To sign petitions, statements, briefing papers, reports, memos and general communications with Supervisory Authorities and Borsa Italiana and to sign institutional reports in relation to the latter;
- (d) To provide for customs clearance at any customs office and in particular to sign and submit customs declarations, to make and withdraw deposits from any customs offices, to attend inspections of goods and to provide for their release by performing any other task necessary for the fulfillment of the mandate;
- (e) To carry out all UTIF and UTM [Revenue, Excise and Monopolies Offices] operations and specifically to sign and to submit relevant statements and to perform any other task necessary for the fulfillment of the mandate;
- (f) To represent the Company in relation to any administrative authorities, public entities or public offices;
- (g) To represent the Company in relation to financial administration offices and bodies, also of judicial nature, in any procedure relating to taxes of any kind and description; to sign declarations and statements, including in relation to direct and indirect taxes, to cooperate in verifications and accesses, to oppose investigations, to submit appeals to any authority or financial and administrative committee, to negotiate settlements, agreed recoveries and transactions;
- (h) To sign documents relating to imports or exports with banking institutions;
- (i) To demand and collect, for any reason and for any amount, sums, credits, securities, warrants and deposits whether from the issuer, from the deposits and loans fund, from both provincial and municipal treasuries and accounts offices, from customs, railway offices, post and telegraph offices or generally from any public or private payer, issuing related receipts and releases;
- (j) To perform any banking and postal operations, including the use of loans within agreed limits, including advance requests or for discounts on invoices or similar financial instruments, as well as to sign factoring or trade receivables insurance contracts, within the limit of Euro 50,000 (fifty thousand);
- (k) To stipulate, with all opportune clauses, to amend, to terminate, regarding any individual, corporate or public entity, contracts and agreements of any kind and nature for the provision of services, for amounts not in excess of Euro 50,000 (fifty thousand).

(b) Powers to be exercised with the joint signature of at least one among the Executive Director Luca Pelosin, Stefano De Rosa or another legal representative with adequate powers

- (a) To perform any banking and postal operations, including the use of loans within agreed limits, including advance requests or for discounts on invoices or similar financial instruments, as well as to sign factoring or trade receivables insurance contracts, within the limit of Euro 50,000;
- (b) To stipulate, with all opportune clauses, to amend, to terminate, regarding any individual, corporate or public entity, contracts and agreements of any kind and nature for the provision of services, for amounts not in excess of Euro 50,000.

The powers above include the appointment of general or special attorneys for certain duties.

5.4.3 Chairman of the Board of Directors

On July 22, 2015, Gianni Mion was appointed Chairman of the Board of Directors.

Under Article 12.4 of the By-Laws, the Chairman of the Board of Directors is the legal representative of the Company in dealings with third parties and in legal matters (with the right to appoint lawyers and attorneys-of-record).

As of the date of this Report, the Chairman of the Board of Directors has not been granted executive management powers, does not have a specific role in terms of corporate strategic planning and is not the controlling shareholder of the Issuer.

5.4.4 Executive Committee

Under Article 12.2 of the By-Laws, the Board may delegate some of its powers to an Executive Committee, determining the limits of the mandate, as well as the number of members and the operating procedures.

Pursuant to Article 2389 of the Italian Civil Code, the remuneration of the Executive Committee members is to be decided by the Shareholders' Meeting.

As of the date of this Report, an Executive Committee has not been established.

5.4.5 Reporting to the Board of Directors

The Board of Directors has not determined the frequency with which delegated bodies are to report to the Board of Directors.

Pursuant to Article 2381, paragraph 5, of the Italian Civil Code, the delegated bodies are to report at least every half-year to the Board of Directors (and to the Board of Statutory Auditors) on the general operating performance and outlook, as well as on major operations, due to their size or nature, carried out by the Company and its subsidiaries.

5.5 OTHER EXECUTIVE DIRECTORS

As of the date of this Report, beyond the Chief Executive Officer and the Executive Director, no other directors have been attributed delegated duties.

5.6 INDEPENDENT DIRECTORS

Pursuant to the combined provisions of Articles 147-*ter*, paragraph 4, and 148, paragraph 3, of the CFA and in accordance with the requirements of Article 2.2.3, paragraph 3, letter k) of the Borsa Italiana Regulation and Article IA.2.10. 6 of the Instructions to the Borsa Italiana Regulation, three independent directors currently hold office on the Board of Directors, in the persons of Francesca Prandstraller, Sergio Ravagli and Gerolamo Caccia Dominioni.

The Board of Directors assesses the existence and permanence of the requirements above on the basis of the information that the interested parties are required to provide under their own responsibility, or of the information available to the Board of Directors.

With reference to the Board of Directors currently in office, it is to be noted that during the meeting of July 22, 2015 the Board carried out the necessary checks on the fulfillment of the independence requirements of the aforementioned directors. The outcome of these assessments was announced to the market in the press release dated July 22, 2015, available on the website of the Issuer www.fila.it, under the section *Investors*.

The Board of Statutory Auditors has verified the correct application of the criteria and procedures adopted by the Board of Directors to assess the independence of its members.

The independent directors have not met during the Reference Period in the absence of the other directors.

5.7 LEAD INDEPENDENT DIRECTOR

On October 7, 2015, the Board of Directors, in order to qualify for listing on the STAR segment, designated the independent director Gerolamo Caccia Dominioni as Lead Independent Director, with the task of collecting and coordinating the petitions and contributions of non-executive directors, in particular of the independent directors, as well as working with the Chairman of the Board of Directors to ensure that directors receive adequate and timely information and may call meetings of the independent directors to discuss the functioning of the Board and corporate operations.

During the Reference Period, the considerations suggested by the independent directors have been mainly aimed at:

- (i) strengthening the corporate governance model of the company;
- (ii) consolidating the significant change in the management culture resulting from the recent listing of the Company on the Star segment.

Among the initiatives suggested to the Board of Directors by the *Lead Independent Director* and the other independent directors for the year 2016, of particular relevance, are those aimed at:

- (i) revising the organizational structure and in particular considering the appropriateness of including in the organization a key figure able to coordinate all corporate secretarial activities;
- (ii) ensuring the effective and correct implementation of all the necessary procedures in place to identify in advance all operations which are subject to approval by the Committees with particular attention to recent acquisitions and to emerging markets.

5.8 GENERAL MANAGER

As of the date of this Report, the Board of Directors has not appointed any General Manager.

6. HANDLING OF CORPORATE INFORMATION

The Company has adopted the following procedures:

- (i) The Code for the handling of Price Sensitive Information (the Code) as last amended by the Board of Directors of FILA on November 13, 2015;
- (ii) The Internal Dealing Code of Conduct, as last amended by the Board of Directors of FILA on October 7, 2015.

6.1 CODE FOR THE HANDLING OF PRICE SENSITIVE INFORMATION

The purpose of the Code for the handling of Price Sensitive Information (the **Code**) is to prevent the transfer of Price Sensitive Information (as defined below) in an untimely, incomplete or inadequate manner, or in any case in such a way as to cause asymmetric information within the market.

In particular, the dissemination of Price Sensitive Information as regulated by the aforementioned Code protects the market and investors, assuring them adequate knowledge of the events concerning the Issuer on which to base their investment decisions.

It is also the objective of the Code for the handling of Price Sensitive Information to prevent certain persons or categories of persons from using information not known to the public to make speculative transactions on the markets to the detriment of the investors without knowledge of such information.

Here briefly described are the essential elements of the Code for the handling of Price Sensitive Information.

6.2 DEFINITION OF PRICE SENSITIVE INFORMATION

Price Sensitive Information is taken to mean information: (i) of a precise nature, namely that (a) such refers to a set of circumstances which exists or may reasonably be expected to come into existence or an event which has occurred or may reasonably be expected to occur, and (b) is specific enough to enable conclusions to be drawn on the possible effect of the set of circumstances or event referred to in subparagraph (a) on the prices of the instruments described in Article 1, paragraph 2, of the CFA, issued by the Company and admitted to trading, or for which application for admission to trading has been requested, on a regulated market (the **Financial Instruments**); (ii) that has not been made public; (iii) that directly or indirectly concerns FILA or the companies directly or indirectly controlled by FILA or the Financial Instruments of FILA; and (iv) that, if made public, may have a significant effect on the prices of the Financial Instruments of FILA or that a reasonable investor would use as one of the elements on which to base investment decisions (the **Price Sensitive Information**).

6.2.1 Recipients of the Code for the handling of Price Sensitive Information

Those required to comply with the procedures outlined in the Code for the handling of Price Sensitive Information include: (i) the members of the administrative and control bodies of FILA and its subsidiaries (as defined in the above mentioned Code); (ii) the employees of FILA and its subsidiaries, who, on the basis of their work or duties, have access on a regular or occasional basis to price sensitive information; and (iii) any natural or legal persons who, because of their work or professional activities or duties, have access on a regular or occasional basis to price sensitive information concerning FILA or its subsidiaries (the **Relevant Persons**).

6.2.2 Handling of Price Sensitive Information

Relevant Persons must maintain the complete confidentiality of the Price Sensitive Information of which they are aware and report to the Disclosure Officer (as defined below) of the existence, in his opinion, of an obligation for the Company to communicate to the market Price Sensitive Information of which they are aware. All Price Sensitive Information must be handled with the necessary care to ensure that its circulation within the company does not threaten its confidential nature, until such is announced to the market according to the means established by the Code and the applicable regulation.

Subject to Articles 184 and subsequent of the CFA, Relevant Persons may not: (i) acquire, sell or otherwise execute operations concerning Financial Instruments on the basis of Price Sensitive Information; (ii) communicate to third parties Price Sensitive Information outside of the scope of normal working and professional activities or on the basis of the role or office discharged; (iii) advise or induce others, on the basis of Price Sensitive Information, to carry out any operations listed at sub (i).

Relevant Persons are absolutely prohibited from releasing interviews or information to the press or declarations in general containing Price Sensitive Information not yet announced to the market in accordance with the above-mentioned Code.

The Board of Directors on July 22, 2015 appointed the director Fabio Zucchetti as the officer in charge of corporate relations, with the responsibility for the drafting of press releases relating to Price Sensitive Information concerning the Company or its Subsidiaries and to ensure compliance with the disclosure obligations for Price Sensitive Information under the Code for Price Sensitive Information and applicable regulations (the **Disclosure Officer**).

The Chief Executive Officer of FILA oversees the handling of Price Sensitive Information relating to the Company and its Subsidiaries, as well as relations with institutional investors and with the press. Any interactions with the press or other media should be authorised by the Chief Executive Officer or parties appointed by this latter.

The text of the press release must be presented to the Chief Executive Officer and, where necessary, to the Board of Directors for final approval before external communication, and where referring to financial information, to the Executive Officer for financial reporting.

The press release is issued on the SDIR-NIS system and, through the SDIR-NIS, is transmitted to Consob and at least two press agencies. FILA also ensures “by the

market opening of the day following the press release” insertion of the press release on the website of the Company www.fila.it, in the relevant section, ensuring that such press releases are kept on the website for at least five years.

The procedure is available on the website of the Company www.fila.it, in the Governance section.

6.3 INTERNAL DEALING CODE

The internal dealing code identifies “Relevant Persons” and in particular:

- (i) the members of the Board of Directors and the Board of Statutory Auditors of the Company;
- (ii) the management of the Company and the executives that have regular access to price sensitive information and that have the power to adopt operating decisions which may impact upon the performance and future prospects of the Company;
- (iii) where FILA holds an investment in a company directly or indirectly controlled and the book value of this investment represents more than 50% of the assets of FILA, as per the last approved financial statements (this subsidiary, the **Relevant Subsidiary**), the members of the Board of Directors and of the Board of Statutory Auditors of this Relevant Subsidiary, as well as the management and executives which have regular access to price sensitive information and have the power to adopt operating decisions which may impact upon the performance and future prospects of the Relevant Subsidiaries;
- (iv) any other person with a direct or indirect holding, calculated in accordance with Article 118 of the Issuers’ Regulation, of at least 10% of the share capital of the Company, represented by shares with voting rights, as well as, where existing, any other party that controls the Company (each, the **Relevant Shareholder**).

The internal dealing code also identifies the “Closely Related Persons” to Relevant Persons, and in particular:

- (i) the spouses not legally separated, children including those of spouses if supported, and if living together for at least one year, parents and relatives of the Relevant Persons (collectively, the **Relevant Family Members**);
- (ii) legal persons, companies or trusts in which a Relevant Person or Relevant Family Member is responsible, solely or jointly, for the management functions;
- (iii) legal persons controlled directly or indirectly by a Relevant Person or by one of the Relevant Family Members;
- (iv) companies whose economic interests are substantially equivalent to those of a Relevant Person or one of the Relevant Family Members;
- (v) trusts created on behalf of a Relevant Person or one of the Relevant Family Members.

The internal dealing code identifies as “Relevant Transactions” purchases, sales, subscription or exchange of Shares or Related Financial Instruments made by the

Relevant Persons or the “Closely Related Person”, directly or through nominees, trusts or subsidiaries, with the exception of:

- (i) the transactions whose total amount does not exceed Euro 5 thousand in each year and - subsequent to each communication - the transactions whose total value does not reach a further Euro 5 thousand by the end of the year; for Related Financial Instruments, the amount is calculated in terms of the underlying shares. The above amount is calculated aggregating the transactions relating to the Shares and to the Related Financial Instruments, made on behalf of each Relevant Person and those made on behalf of the Closely Related Persons;
- (ii) the transactions between Relevant Persons and Closely Related Persons;
- (iii) the transactions between the Company and its subsidiaries;
- (iv) the transactions without economic consideration (such as donations and inheritance, but not exchanges);
- (v) the assignment of free shares or rights to purchase or subscribe shares when such rights derive from remuneration plans in accordance with Article 114-*bis* of the CFA (however the sale of Shares from the exercise of these rights or free assignment are Relevant Transactions).

The internal dealing code also governs the management, handling and communication of the disclosure of these transactions. For this purpose, the Code:

- (i) governs the disclosure obligations of the Relevant Persons (with the exception of Relevant Shareholders) to the Company, requiring that these persons disclose to the Company the Significant Transactions made by them and/or by the Closely Related Persons with the Relevant Persons within five trading days after the date of execution of these transactions and establishes the consequent communication obligation of the Company to the market by the end of the next trading day;
- (ii) governs the disclosure obligations of the Relevant Persons to Consob, requiring that these persons disclose to Consob the Significant Transactions made by them and/or by the Closely Related Persons with the Relevant Persons within five trading days after the date of execution of these transactions, except for the other provisions for the Relevant Shareholders who must disclose to Consob (and the market) within fifteen days of the month subsequent to the Significant Transaction;
- (iii) governs the restrictions and limitations to undertake Significant Transactions by the Relevant Persons and Closely Related Persons and the manner in which the Disclosure Officer informs the Relevant Persons of the obligations in accordance with the internal dealing code.

In accordance with the provisions of the Internal Dealing Code, the Disclosure Officer, Mr. Fabio Zucchetti, is responsible for the implementation of the Code and the updating of the list of the Relevant Persons.

The procedure is available on the website of the Company www.fila.it, in the Governance section.

7. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

The Board of Directors of FILA have set up the following committees:

- (i) Control and Risks Committee, whose members were appointed by the Board on July 22, 2015;
- (ii) Remuneration Committee, whose members were appointed by the Board on July 22, 2015;
- (iii) Related Parties Committee, whose members were appointed by the Board on July 22, 2015;

At the date of the present Report, an Appointments Committee has not been set up.

8. REMUNERATION COMMITTEE

8.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

The Remuneration Committee was set up with Board of Directors motion of July 22, 2015.

The Remuneration Committee is composed of 3 non-executive directors, the majority of which independent directors.

Name	Office
Francesca Prandstraller (Chairman)	Independent Director
Sergio Ravagli	Independent Director
Annalisa Barbera(*)	Non-Independent Director

(*) Person with adequate financial and remuneration policy knowledge and experience, as assessed by the Board of Directors meeting of July 22, 2015.

In the Reference Period, the Remuneration Committee met on the following dates: September 21, 2015 and October 29, 2015. The Chairman of the Board of Directors of the Company attended the meeting of October 29, 2015.

Minutes are kept of the Remuneration Committee meetings.

The duration of the Remuneration Committee meetings was approximately 1 hour and 30 minutes.

During 2016, the Remuneration Committee has already held 3 meetings on the following dates: January 25, 2016, March 10, 2016 and March 21, 2016.

In the Reference Period, the average presence of the Directors at the meetings was 100% for all members.

At least one member of the Board of Statutory Auditors attended the Remuneration Committee meetings.

No director takes part in the meetings of the Remuneration Committee in which the proposals to the Board of Directors relating to their remuneration is being discussed.

8.2 FUNCTIONS AND ACTIVITIES OF THE REMUNERATION COMMITTEE

The Remuneration Committee provides consultation and formulates proposals for the Board of Directors for the remuneration policy, including any stock option plans or assignment of shares, of the Chief Executive Officer and those who hold specific offices, as well as, on the indications of the Chief Executive Officer, the determination of the criteria for the remuneration of the key management personnel of the Company.

The Remuneration Committee guarantees the broadest information and transparency on the remuneration of the Chief Executive Officer as well as the manner for determining such remuneration.

In conformity with Article 2389, paragraph 3 of the Civil Code, the Remuneration Committee has solely the function of presenting proposals while the power of determining the remuneration of the senior directors remains with the Board of Directors, having consulted the Board of Statutory Auditors.

The Remuneration Committee also has responsibility for the management of any incentive plans approved by the Boards of the Company.

In the undertaking of their functions, the Remuneration Committee may access all information and departments necessary for the undertaking of their duties as well as utilise external consultants, within the terms established by the Board of Directors.

No financial resources have been earmarked for the Remuneration Committee as the latter avails itself, to carry out its role, of the Issuer's corporate resources and structures.

In the Reference Period, the Remuneration Committee formulated proposals to be presented to the Board of Directors with the prior approval of the Related Parties Committee, in relation to the variable component of the remuneration of the Chief Executive Officer and the Executive Officer for financial reporting.

9. REMUNERATION OF DIRECTORS

The remuneration of directors is established by the Shareholders' Meeting. Pursuant to Article 15.1 of the By-Laws, the Shareholders' Meeting may determine the total amount of the remuneration of all of the directors, including senior directors, whose division is established by the Board of Directors, having consulted with the Board of Statutory Auditors, for the remuneration of the senior directors pursuant to Article 2389, paragraph 3, of the Civil Code.

On July 22, 2015, the Shareholders' Meeting of the Company approved an annual gross remuneration of Euro 15,000 for each director and Euro 90,000 gross annual remuneration for the Chairman of the Board of Directors.

The Board of Directors on July 22, 2015 approved, after consultation with the Board of Statutory Auditors and prior approval of the Remuneration Committee and the Related Parties Committee, the remuneration of the Chief Executive Officer and the Honorary Chairman.

For information on the remuneration policy adopted by the Issuer and the remuneration of the members of the Board of Directors, reference should be made to the Remuneration Report prepared pursuant to Article 123-ter of the CFA and 84-quater of the Consob Issuer's Regulation available within the terms required by law on the internet site of the Company at www.fila.it in the Governance section.

10. INCENTIVE MECHANISMS FOR THE INTERNAL AUDIT MANAGER AND EXECUTIVE OFFICER FOR FINANCIAL REPORTING

In relation to the incentives for the Executive Officer for financial reporting, such are in line with the responsibilities assigned. There are no incentive mechanisms for the Internal Audit position as, as reported in paragraph 13.3 of the present Report, the Internal Audit function was outsourced.

11. CONTROL AND RISKS COMMITTEE

11.1 COMPOSITION AND OPERATION (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

In the period between the Effective Merger Date and July 22, 2015, the Control and Risks Committee of the Company was comprised of the following members:

NAME	OFFICE
Micaela Le Divelec Lemmi (Chairman)	Independent Director
Fabio Zucchetti	Non-Independent Director
Francesca Prandstraller	Independent Director

Following the appointment of the new Board of Directors approved by the Shareholders' Meeting of July 22, 2015, the Board of Directors renewed the Committee, appointing the following Directors as members:

NAME	OFFICE
Gerolamo Caccia Dominioni (Chairman)	Independent Director
Sergio Ravagli	Independent Director

Fabio Zucchetti (*)	Non-Independent Director
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(*) Person with adequate accounting, financial and risk management knowledge and experience, as reviewed by the Board of Directors meeting of July 22, 2015.

The Chairman of the Statutory Auditors or another statutory auditor and the Executive Officer for financial reporting attended the meetings of the Control and Risks Committee.

The presence of these supervision and control bodies permitted the communication and discussion of the principal aspects relating to the identification of the business risks.

In the Reference Period, the Control and Risks Committee met on the following dates: August 6, 2015, October 12, 2015 and November 13, 2015. All the members of the Board of Statutory Auditors, the Chairman of the Board of Directors and the Executive Officer for financial reporting attended the meetings of the Control and Risks Committee.

In the Reference Period, the average presence of the Directors at the meetings was 100% for all members.

Minutes are kept of the Control and Risks Committee. The duration of the Control and Risks Committee meetings was approximately 1 hour.

In addition to the meetings held on January 20, 2016, March 14, 2016 and March 21, 2016, at least 5 other meetings of the Control and Risks Committee will be held.

11.2 FUNCTIONS OF THE CONTROL AND RISKS COMMITTEE

The Control and Risks Committee has consultation and proposals functions for the Board of Directors.

The Control and Risks Committee undertakes its duties in coordination with the Board of Statutory Auditors, the director in charge of the internal control and risk management system (the **Director in charge**) and the Internal Audit manager.

The Control and Risks Committee may access all information and departments necessary for the undertaking of their duties, as well as utilise outside consultants where their independence of judgement is not affected, within the budget approved by the Board of Directors.

At the date of the present Report, no financial resources have been earmarked for the Control and Risks Committee as the latter avails itself, to carry out its role, of the Issuer's corporate resources and structures.

In the Reference Period, the Control and Risks Committee:

- (i) evaluated the correct utilisation of the accounting policies and their uniformity in the preparation of the consolidated half-year financial statements at June 30, 2015, as well as the interim financial statements at May 31, 2015;
- (ii) provided an opinion on the setting up of the Internal Audit department and the outsourcing of this function.

12. RELATED PARTIES COMMITTEE

For the composition, functioning and duties of the Related Parties Committee, reference should be made to paragraph 14.1 below.

13. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER 3) OF THE CFA

The Internal Control and Risk Management System is the set of rules, procedures and organizational structures aimed at facilitating, through an adequate process of identification, measurement, management and monitoring of the main risks, sound and correct management consistent with the established goals.

An effective internal control and risk management system contributes to ensuring the protection of corporate assets, the efficiency and effectiveness of business operations, the reliability of financial reporting and compliance with laws and regulations.

On October 7, 2015, for the purpose of filing an application for the listing of the ordinary shares of FILA on the MTA market, STAR segment, and for the subsequent delisting from the MIV market, the Board of Directors approved the adoption of the Internal Control and Risk Management System.

This system, which shall be fully implemented during 2016, will allow managers to have on a regular and timely basis a sufficiently complete picture of the economic and financial situation of the Company and of the main companies of the FILA Group and shall soundly and correctly facilitate: (i) the monitoring of the main key performance indicators and risk factors that relate to the Company and to the main Group companies; (ii) the collection of data and information with particular reference to financial information, in adequate quantities for analysis according to type of business activity, organizational complexity and specificity of the information needs of management; (iii) the development of prospective financial data for the business plan and the budget, as well as for the verification of the meeting of business objectives through an analysis of variances.

The Board of Directors, which guides and evaluates the adequacy of the Internal Control and Risk Management System, in the course of 2016, following the opinion of the Control and Risks Committee, shall:

- (i) Oversee the definition of the guidelines for the Internal Control and Risk Management System, so as the main risks regarding the Issuer and its subsidiaries are correctly identified, measured, managed and monitored in line with business management consistent with the identified strategic objectives;
- (ii) Assess, periodically and at least annually, the adequacy and effectiveness of the Internal Control and Risk Management System in relation to the characteristics of corporate activities;
- (iii) Annually approve the work plan prepared by the Internal Audit Manager, having consulted the Board of Statutory Auditors and the appointed Supervisory Director;
- (iv) Describe, in the Corporate Governance and Ownership Structure Report, the main features of the Internal Control and Risk Management System, expressing an evaluation of its adequacy;
- (v) Assess, having consulted the Board of Statutory Auditors, results presented by

the Independent Audit Firm in any memo of suggestions and report on key matters arising from the statutory audit.

In the exercise of these functions, the Board of Directors shall be supported by the Supervisory Director and the Control and Risks Committee.

On July 22, 2015, the Board of Directors approved the guidelines of the Executive Officer for financial reporting in compliance with Law 262/05, together with the procedure for collecting the related internal declarations on behalf of the companies of the FILA Group.

During 2016, the Issuer will complete the drafting and formalization of the corporate procedures to ensure compliance with the relevant applicable legislation.

As of the date of this Report the Company:

- has obtained the following certifications:
 - The Forest Stewardship Council (FSC) international chain of custody certification for processors and/or traders of forest products, which seeks to ensure appropriate forest management and traceability of derivative products;
 - The Programme for the Endorsement of Forest Certification (PEFC) which certifies, among other aspects, the traceability of processed and commercialized timber products coming from certified forests by verifying their chain of custody;
- has adopted the Ethics Code and the Organizational and Management Model, with reference to the prevention of offences under Legislative Decree No. 231/01, on appointment of and conferment of the powers of the supervisory board of the Issuer, in accordance with the resolutions passed by the Board of Directors of the Issuer on July 22, 2015.

13.1 MAIN CHARACTERISTICS OF THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM IN RELATION TO THE FINANCIAL REPORTING PROCESS

One of the main elements of the Risk Management and Internal Control System is the internal control relating to the financial reporting process. This aims to ensure integrity, accuracy, reliability and timeliness in the preparation and communication of financial information.

As already mentioned, the Risk Management and Internal Control System will be structured and strengthened in 2016. This process will be comprised by the following macro-elements:

- Procedures and risk control matrices for each business process for each Company falling within the consolidation scope;
- Identification of corrective actions, follow-ups and reporting - definition and sharing of corrective actions with management, assessment of the effective implementation of the

same, preparation of reports to the Executive Officer Responsible for the preparation of corporate accounting documents and for supervisory and control bodies;

- Updating of Model 262 and related documentation, on the basis of corporate, organizational and procedural changes effectuated.

The methodology to be followed for designing and for carrying out checks concerning Model 262 shall be aligned with the best international practices and shall ensure full traceability in its implementation.

With reference to the identification and assessment of financial reporting risks, the Issuer carries out its analyses and control activities on subsidiaries with levels of revenue and balance sheet assets in excess of a threshold of predefined materiality, as well as on the management of intercompany transactions. Following qualitative considerations, routine analyzes and audits are performed also on other subsidiaries, regardless of their quantitative contribution to the consolidated financial statements.

The risks, measured and evaluated according to best practice in the field of international risk assessment, cover the operational processes relating to general accounting entries and the estimates and financial statement declarations, with a view to prevent errors of accuracy and completeness and to prevent fraud. The assessment of the 'inherency' of the risks is qualitative and is performed both with regard to the materiality and the nature of the accounting entries and with regard to the frequency of the operational processes.

In relation to the identification and to the assessment of controls for identified risks, Model 262 shall consider preventive, investigative and second level controls on processes relating to accounting entries and on the estimates. The assessment of the adequacy and effectiveness of controls to mitigate risks shall be qualitative, based on the outcome of the checks carried out in the course of Model 262 monitoring activities.

The monitoring activities shall be concentrated on the operational processes relating to the material accounting entries, which are identified annually via a preliminary scope analysis. In addition, ad-hoc checks shall be carried out on activities relating to accounts closures and consolidation entries, which the Company shall document, allocate in terms of responsibilities and authorize via a dedicated computer programme in order to guarantee completeness and accuracy of information.

The Executive Responsible and the Internal Audit manager shall report periodically to the Control and Risks Committee, the Board of Statutory Auditors and to the Supervisory Director and, to the extent of its competence, to the Supervisory Board concerning the management of Model 262, expressing an assessment of the adequacy of the administrative and accounting control system and the corrective actions to be implemented.

13.2 EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

As part of the process of the structuring and strengthening of the Internal Control and Risk Management System, the Board of Directors appointed on July 22, 2015 Luca Pelosin as Supervisory Director for the establishment and maintenance of an effective Internal Control and Risk Management System. The Supervisory Director shall perform the following main tasks and functions: (i) identify the main business risks, taking into

account the characteristics of the Company and the group to which it belongs, submitting such periodically to the Board of Directors; (ii) implement the guidelines defined by the Board of Directors, undertaking the design, realization and management of the internal control system, and constantly monitor its overall adequacy, effectiveness and efficiency; (iii) adapt the system to changes in operating conditions and in the legislative and regulatory framework; and (iv) report in a timely manner to the Control and Risks Committee (or the Board of Directors) upon issues and criticalities that have emerged or become known in the course of activities so that the Control and Risks Committee (or the Board) may take appropriate action.

13.3 INTERNAL AUDIT MANAGER

Following admission of the shares of the Company to trading on the STAR segment, the Issuer's Board of Directors, by motion of November 13, 2015, with the favorable opinion of the Control Committee and the Board of Statutory Auditors, resolved to implement a general inspection of the internal control structure and functionality of FILA and, therefore, to establish the Internal Audit function, outsourcing the Key Advisory to Massimiliano Rigo as the Internal Audit Manager.

On February 2, 2016, the Issuer's Board of Directors approved the Audit Plan for 2016.

13.4 ORGANIZATIONAL MODEL AS PER LEGISLATIVE DECREE 231 OF 2001

The Issuer's Board of Directors, at its meeting of July 22, 2015, resolved to adopt for the purposes and effects of Legislative Decree No. 231/01 the Organizational, Management and Control Model comprising the Ethics Code, the General Part, the Special Parts and the Governance System.

The Model provides for policies and measures to guarantee the performance of activities in accordance with law and to identify and eliminate situations of risk, as well as for a system of prevention designed to mitigate offence risk that is consistent with the organizational structure and with best practice.

It shall consist of a General Part and nine Special Parts.

In particular, the Special Parts clarify the nature and the possible ways of committing the types of Relevant Offenses identified in the Risk areas, as well as the specific organizational controls implemented to prevent their commission.

Forming an integral part of the Model are the following documents attached thereto: (i) the Supervisory Board Regulation; (ii) the Governance System and (iii) the Ethics Code.

The Ethics Code is an integral part of the Model. It sets ethical principles and prescriptive rules of conduct for employees and other recipients, contributing to establish an appropriate control environment to ensure that the Issuer's activity is always based on the principles of fairness and transparency and to reduce the risk of the offenses covered under Legislative Decree No. 231/2001.

The requirement for exemption from administrative liability has led to the establishment of a Supervisory Board within the Issuer, which has independent powers of initiative

and control, with the task of (i) monitoring the effectiveness of the model, which is embodied in the verification of consistency between actual conduct and the model established; (ii) conducting the examination of the adequacy of the model, or rather its real capacity to prevent, in principle, undesirable conduct; (iii) carrying out an analysis of the maintenance over time of the soundness and functionality of the Model; (iv) ensuring the necessary dynamic update of the Model, through the formulation of specific suggestions, in the event that analyses performed require corrections and adjustments; (v) carrying out the so-called “follow-up”, or rather verifying the implementation and the functionality of the solutions proposed.

The Supervisory Board, in office until approval of the 2017 financial statements, was appointed by the Board of Directors of July 22, 2015, and consists of three members, in the persons of: Rosario Salonia, as external member and Chairman; Patrizio La Rocca, as external member; and Massimiliano Rigo, as external member and Internal Audit Manager of the Issuer.

On January 26, 2016, the Chairman of the Supervisory Board made available a report providing information to the Board of Directors on the controls and checks performed and their outcome.

The Supervisory Board, during the Reference Period met 2 times and carried out an inspection at the Rufina production site.

The offenses covered by the Issuer’s model are in line with current law.

The Model introduces an adequate system and sanctioning mechanisms for conduct in violation.

The Ethics Code is available in the *Governance* section of the website of the Issuer at www.fila.it.

13.5 INDEPENDENT AUDIT FIRM

On February 20, 2015, the Shareholders’ Meeting of Space, *inter alia*: (i) approved, pursuant to Article 13 of Legislative Decree No. 39/2010 and Article 7 of the Regulation adopted with Ministerial Decree No. 261/2012, the mutual resolution of the audit appointment conferred to Reconta Ernst&Young with motion of October 9, 2013, following signing of a private agreement in relation to the resolution of the audit appointment by Space and Reconta Ernst&Young; and (ii) simultaneously conferred a new audit appointment to KPMG for a period of 9 years (from 2015 to 2023) pursuant to Article 13 of Legislative Decree No. 39/2010, with effect from the Effective Merger Date.

Therefore, from the Effective Merger Date, the audit assignment was awarded to KPMG S.p.A for the period 2015-2023.

13.6 EXECUTIVE OFFICER FOR FINANCIAL REPORTING AND OTHER CORPORATE POSITIONS

In accordance with Article 16 of the By-laws, the Board of Directors appoints, upon obligatory approval of the Board of Statutory Auditors, the Executive Officer for financial reporting pursuant to Article 154-*bis* of the CFA, providing him with adequate means and powers to carry out the role. The Executive Officer for financial reporting must be of a professional standard such as to have qualified experience of at least three years in the exercise of administration and control activities, or in executive or

consultancy functions, with listed companies and/or relative groups of companies, or companies, entities and enterprises of large and significant size, including the preparation and control of accounting and corporate documents. The Executive Officer for financial reporting must also hold the good standing requisites required for statutory auditors in accordance with legal provisions.

On June 4, 2015, the Board of Directors of the Issuer appointed, with prior approval of the Board of Statutory Auditors, Mr. Stefano De Rosa (employee of the Issuer and Chief Financial Officer of the FILA Group) as the Executive Officer for financial reporting pursuant to Article 154-*bis* the CFA, confirming his appointment on July 22, 2015.

13.7 COORDINATION OF THE PARTIES INVOLVED IN THE INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM

The coordination procedures put in place by the Issuer between the different parties involved in the internal control and risk management system will guarantee an efficient and effective coordination and sharing of information between the bodies involved. In particular:

- (i) the Internal Audit Manager must maintain periodic communication with the corporate boards and supervisory or oversight functions of the internal control and risk management system, such as the Executive Officer for financial reporting, the Supervisory Board pursuant to Legislative Decree 231/01 and the Audit Firm, each within their own remit and responsibility;
- (ii) the participation of the Internal Audit Manager at the meetings of the Supervisory Board and the Control and Risks Committee should permit the Internal Audit department to maintain adequate visibility over the business risks within the FILA Group and of problems arising and to bring them to the attention to the different supervisory and oversight functions;
- (iii) the Board of Statutory Auditors maintains periodic communication with the Board of Directors and the Control and Risks Committee. In particular, at least one member of the Board of Statutory Auditor should always participate at the meetings of the Control and Risks Committee;
- (iv) the members of the Supervisory Board may participate, on invitation, at the meetings of the Board of Directors and the Control and Risks Committee, reporting half-yearly on their activities;
- (v) the Audit Firm participates, on invitation, at the meetings of the Control and Risks Committee in order to remain updated on the activities and on the resolutions of the Committee, as well as to report upon the planning and results of the audit activities.

14. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

14.1 RELATED PARTIES COMMITTEE

14.1.1 Composition and Operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)

The Related Parties Committee was set up with Board of Directors motion of July 22, 2015.

The Related Parties Committee is composed of 3 non-executive directors, the majority of whom are independent directors.

NAME AND SURNAME	OFFICE
Gerolamo Caccia Dominioni (Chairman)	Independent Director
Sergio Ravagli	Independent Director
Fabio Zucchetti	Non-Independent Director

During the Reference Period, the Related Parties Committee undertook their duties in accordance with the Procedures for Transactions with Related Parties.

In the Reference Period, the Related Parties Committee met on the following dates: October 12, 2015 and November 5, 2015.

Minutes are kept of the Control and Risks Committee.

The duration of the Related Parties Committee meetings was approximately 1 hour.

During 2016, 3 meetings were already held on the following dates: January 20, 2016, March 10, 2016 and March 21, 2016.

In the Reference Period, the average presence of the Directors at the meetings was 100% for all members.

14.1.2 Functions and activities of the Related Parties Committee

During the Reference Period, the Related Parties Committee undertook their duties in accordance with the Procedures for Transactions with Related Parties. In particular, during the Reference Period the Related Parties:

- (i) reviewed all the operations and transactions with related parties;
- (ii) expressed its opinion on the completion of one transaction with related parties;
- (iii) expressed its opinion in relation to the remuneration of senior directors.

14.2 PROCEDURES FOR TRANSACTIONS WITH RELATED PARTIES

The Issuer applies the procedures for the transactions with related parties pursuant to the Related Parties Regulation and Article 2391-*bis* of the Civil Code (the **Procedures for Transactions with Related Parties** or the **Procedures**), ensuring transparency and substantial and procedural correctness.

The Procedures govern the undertaking of transactions by the Company directly, or through subsidiary companies, with counterparties within the definition of "related

parties". In accordance with the Procedures for Transaction with Related Parties a "Related Party" is a party that:

- (a) directly, or indirectly, also through "Subsidiaries", trustees or nominees:
 - (i) controls the Company, or is controlled by it, or subject to common "Control";
 - (ii) has an interest in the Company such as to exercise "Significant Influence" on this latter;
 - (iii) exercises "Joint Control" on the Company;
- (b) is an "Associated Company" of the Company;
- (c) is a "Joint Venture" in which the Company has a holding;
- (d) is a member of "Key management personnel" of the Company or its "Parent";
- (e) is a "Close Family Member" of a party at the preceding letters (a) or (d);
- (f) is an entity in which one of the parties at (d) or (e) exercises "Control", "Joint Control" or "Significant Influence" or holds, directly or indirectly, a significant holding – in any case not less than 20% of the voting rights;
- (g) is a supplementary, collective or individual pension fund, Italian or overseas, created on behalf of Company employees, or any other related entity.

The Procedure for Transactions with Related Parties defines "Transactions with Related Parties" as any transfer of resources, services or obligations between Related Parties, regardless of whether a price is charged. This includes: (i) mergers, spin-offs for incorporation or non-proportional spin-offs, where carried out with Related Parties; (ii) all decisions relating to the allocation of remuneration or benefits, in any form, to members of the corporate boards and "Key Management Personnel".

The Procedures distinguishes between "Minor Transactions", "Significant Transactions" and "Less Significant Transactions" as follows:

Minor Transactions: Transactions with Related Parties expected to result in maximum consideration or an expected maximum value of not greater than, for each transaction, Euro 200,000, also in the case of Transactions with Related Parties of a similar nature with the same party or within a series of similar transactions, considered cumulatively.

Significant Transactions: those transactions where one or more of the significance thresholds (value of the transaction, assets, liabilities), applicable depending on the specific transaction, exceeds 5%.

Less Significant Transactions: Transactions with Related Parties other than Significant Transactions and Minor Transactions.

Ordinary Transactions: Transactions with Related Parties which: (a) take place within the ordinary operations of the Company or the related financial activities; and (b) are concluded at conditions which are: (i) in line with those usually undertaken with unrelated parties for transactions of a similar nature, size and risk, (ii) based on regulated tariffs or prices, or (iii) corresponding to those undertaken with parties with which the company is obliged by law to contract at a set price.

As general principles, the Procedure establishes that:

- (a) the provisions of the Related Parties Regulation and the Procedures do not apply

to Minor Transactions;

- (b) subject to Article 5, paragraph 8, of the provisions of the Related Parties Regulation, the provisions of the Related Parties Regulation and the Procedures do not apply:
 - (i) to Ordinary Transactions;
 - (ii) to Transactions with Related Parties with or between “Subsidiary Companies”, also jointly, in addition to those with “Associated Companies”, as long as the other Related Parties of the Company do not hold “Significant Interests” in the Subsidiary Companies or the Associated Companies involved in the transaction;
 - (iii) to financial instrument-based remuneration plans approved by the Shareholders’ Meeting pursuant to Article 114-*bis* of the CFA and the relative executory operations;
 - (iv) to the motions of the Board of Directors concerning the remuneration of directors holding specific offices – other than those motions undertaken in accordance with Article 2389, paragraph 3 of the Civil Code - in addition to Key Management Personnel, on the condition that:
 - (i) the Company has adopted a remuneration policy;
 - (ii) the remuneration policy was drawn up by a committee exclusively made up of non-executive directors, the majority of whom “Independent Directors”;
 - (iii) the remuneration policy report was put to the consultative vote of the Shareholders’ Meeting;
 - (iv) the remuneration awarded was in line with this policy.

With specific reference to the procedures for the individual categories of Transactions with Related Parties:

- (a) in relation to the Significant Transactions, the Procedure provide, among other matters, that: (i) the Board of Directors exclusively approves these transactions; (ii) the Chief Executive Officer ensures the involvement in the negotiation phase and in the preliminary phase of a Committee composed of at least 3 “Independent and Non-Related Directors”. which may coincide with the Control and Risks Committee; (iii) the Board of Directors deliberates upon the transaction with prior favourable opinion of the above-mentioned Committee, or with the favourable vote of the majority of the “Independent Directors” and with the possibility of the Board of Directors to approve the Significant Transactions, even in the presence of a contrary opinion of the majority of the “Independent Directors”, on the condition that the transaction is authorised by the Shareholders’ Meeting and provided that, where the “Non-Related Shareholders” represent more than 10% of the voting share capital, a majority of such do not vote against; (iv) where on the Board of Directors there are not at least 3 “Independent and Non-Related Directors” the activities at point (ii) and the opinion of the previous point (iii) are respectively undertaken by the Board of Statutory Auditors, by an independent expert or by the “Independent Non-Related Director” present.

- (b) In relation to the Less Significant Transactions, the Procedure provides that the Board of Directors and the executive bodies approve these transactions with prior reasoned and non-binding opinion of a Committee composed of at least 3 “Non-Related Directors” and non-executive, the majority of whom “Independent Directors” (and which may coincide with the Control and Risks Committee), or, where the Board of Directors does not have at least 2 “Independent and Non-Related Directors”, by the Board of Statutory Auditors, by an independent expert or by the “Non-Related Independent Director” where present.

The main provisions of the Procedure in relation to the approval processes, provide, in addition, for the following: (i) the above-mentioned committee and relevant body to approve the transaction must be provided with adequate and complete information prior to the Transaction with Related Parties; (ii) the information provided must allow both this committee or the relevant body to resolve upon the transaction and to undertake a detailed and documented review, in the preliminary and approval phases, of the reasons for the transaction, as well as the benefit and substantial correctness of its conditions; the documentation provided must contain objective evidence where the conditions of the Transaction with Related Parties are defined as equivalent to market or standard conditions; (iii) the Transaction with Related Parties is approved by the relevant body only after the provision of a reasoned opinion by the committee, outlining the interest of the Company in undertaking the transaction, as well as the benefit and substantial correctness of the conditions of the transaction; (iv) the committee appointed has the right to be assisted, at the expense of the Company, by one or more independent experts of its choice; (v) the executive bodies provide complete disclosure, at least quarterly, to the Board of Directors and to the Board of Statutory Auditors on the execution of the Transactions with Related Parties; (vi) the minutes of the resolutions approving the transactions include adequate details on the interest of the Company to undertake the transaction, as well as the benefit and substantial correctness of the relative conditions.

In addition the Procedure contains specific provisions: (i) on obligatory market disclosure relating to the Transactions with Related Parties to be undertaken and/or realised; (ii) governing the approval of Transactions with Related Parties to be considered by the Shareholders’ Meeting; (iii) the adoption of framework resolutions which permit the approval of a series of Transactions with Related Parties of a similar nature to be undertaken with the same Related Parties or certain categories of Related Parties.

The Procedures for the Transactions with Related Parties and the related attachments are available on the website of the Issuer on the website www.fila.it, in the Governance section.

15. APPOINTMENT OF STATUTORY AUDITORS

In accordance with Article 17 of the By-Laws, the Board of Statutory Auditors comprises three standing members and two alternate members, appointed by the Shareholders' Meeting, based on slates presented by the shareholders.

As per Article 17 of the By-Laws, shareholders may present a slate for the appointment of statutory auditors who, alone or together with other presenting shareholders, hold a percentage in the share capital at least equal to that determined by Consob in accordance with applicable legislation and regulations. The ownership of the minimum holding is established considering the shares which have been registered in favour of the shareholder on the day on which the slates are filed with the Issuer; the relative certification may be produced subsequent to filing of the slates, although within the time period established for the publication of the slates.

The slates must be filed at the registered office of the company in accordance with the manner prescribed by current regulations, at least twenty-five days prior to the Shareholders' Meeting called to appoint the statutory auditors. The slates must be made available to the public by the Company at least twenty-one days prior to the Shareholders' Meeting in accordance with the manner prescribed by current regulations.

The slates must nominate one or more candidates for the office of standing auditor and one or more candidates for the office of alternate auditor. The names of the candidates are divided between each section ("standing statutory auditors" section, "alternate statutory auditors" section) with a progressive number and in any event with a number not exceeding the board members to be elected. The slates, where they contain, considering both sections, a number of candidates equal to or above 3, must contain in both sections a number of candidates such as to guarantee that the composition of the Board of Statutory Auditors, both in the standing and alternate section, comply with regulations concerning gender equality, including rounding where necessary in relation to the underrepresented gender.

The following documents must be attached to each slate, or else are considered as not presented: (i) information relating to the Shareholders presenting the slates and of their shareholdings; (ii) a declaration of the shareholders other than those who hold, including jointly, a controlling or relative majority shareholding, of the absence of connecting relationships with these latter in accordance with regulatory provisions; (iii) comprehensive information on the personal and professional characteristics of the candidates, as well as a declaration from these candidates attesting that they have the requisites required by law and in acceptance of the candidature, complete with the list of the appointments of administration and control they have with other companies; (iv) any other further or different declaration, information and/or document required by law and applicable regulatory rules.

Each shareholder, shareholders belonging to the same group or members of a shareholder agreement pursuant to Article 122 of Leg. Decree No. 58/1998, may not present or be involved in the presentation, even through nominees or trust companies, of more than one slate or vote on other slates; in addition, each candidate may only be present on one slate, at the risk of being declared ineligible.

In the case where only one slate is filed at the expiry date of the term for presentation of the slates, or slates are only presented by related shareholders pursuant to the

applicable directives, slates can be presented up to the third day subsequent to such date. In this case, the above threshold established for the presentation of the slate is reduced by half.

The Statutory Auditors are elected as follows: (i) from the slate that has obtained the highest number of votes (“**Majority Slate**”), based on the progressive order with which they are shown on the slate, two standing statutory auditors and an alternate statutory auditor; (ii) from the slate that has obtained the second highest number of votes and that is not associated, even indirectly, with the shareholders who have presented or voted on the Majority List pursuant to the applicable directives (“**Minority List**”), based on the progressive order with which they are shown on the slate, one standing statutory auditor, who assumes the chairmanship of the Board of Statutory Auditors (“**Minority Statutory Auditor**”), and an alternate statutory auditor (“**Minority Alternate Statutory Auditor**”). Should two slates receive the same number of votes, a second vote of the entire Shareholders’ Meeting shall decide with the candidate being elected by means of a simple majority of the votes.

If voting does not result in compliance with the applicable legal and regulatory provisions in relation to gender equality (including rounding up where necessary in relation to the underrepresented gender), the elected Statutory or Alternate Auditor candidate appearing last on the Majority Slate of the overrepresented gender is excluded and will be replaced by the next candidate from the same slate belonging to the other gender.

Where only one slate is presented, the Shareholders’ Meeting will vote on that slate and, where this slates receives the majority of the votes, all the standing auditors and alternate auditors will be taken from this slate in accordance with applicable law and regulations, including gender equality regulations, which includes rounding up where necessary in relation to the underrepresented gender.

The standing auditors are appointed for a period of three years (and may be re-elected), which expires on the date of the Shareholders’ Meeting called for the approval of the financial statements relating to the third final year in office.

Subject to compliance with legal and regulatory provisions relating to gender equality in the cases where, for whatever reason, (i) the Majority Slate standing auditor resigns, this office shall fall to the alternate auditor from the Majority slate, (ii) the Minority Standing Auditor resigns, this latter is replaced by the Minority Alternative Auditor. Where for whatever reason it is not possible to proceed in accordance with the provisions indicated above, the Shareholders’ Meeting must be called in order to supplement the Board of Statutory Auditors in accordance with the provisions of ordinary majority, without applying the slate voting mechanism, which includes gender equality regulations.

Where no slate is presented and therefore it is not possible to appoint the Board of Statutory Auditors in accordance with the provisions of the present article, the three standing auditors and the two alternate auditors will be appointed by the Shareholders’ Meeting through ordinary majority in accordance with applicable law and regulations, including gender equality regulations, which includes rounding up where necessary in relation to the underrepresented gender.

16. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

From the Effective Merger Date and until the Shareholders' Meeting of July 22, 2015 which appointed the current Board, the Board of Statutory Auditors of the Issuer was composed of the following members²:

Office	Name	Date of appoint.
Chairman	Pier Luca Mazza	October 7, 2013, appointed Chairman on October 9, 2013
Standing Auditor	Virginia Marini	October 9, 2013
Standing Auditor	Marco Giuliani	October 7, 2013
Alternate Auditor	Simona Valsecchi	October 7, 2013
Alternate Auditor	Fabio Massimo Micaludi	October 7, 2013

Following the resignations presented by the Statutory Auditors in office it was necessary to appoint the new Board in accordance with applicable legal and regulatory provisions.

On July 22, 2015, the Shareholders' Meeting appointed the members of the current Board of Statutory Auditors based on the slate filed by the shareholder Pencil (which obtained 38,593,247 votes, equal to 95.401% of the voting share capital) and the slate filed jointly by Anima SGR S.p.A. fund manager of: Fondo Anima Geo Italia, Fondo Anima Italia and Fondo Anima Star Italia Alto Potenziale; Arca SGR S.p.A. fund manager of: Arca Azioni Italia and Arca Economia Reale Equity; Eurizon Capital S.G.R.

² appointed by the Shareholders' Meeting of Space on the incorporation of the company, and therefore on October 7, 2013 (with the exception of Ms. Virginia Marini who was appointed by the Shareholders' Meeting of Space on October 9, 2013 in replacement of the resigning standing auditor Mr. Raul Francesco Vitulo).

S.p.A. fund manager of: Eurizon Azioni Italia and Eurizon Azioni PMI Italia; Kairos Partners SGR S.p.A. as management company of: Kairos International SICAV comp. Italia, Kairos International SICAV comp. Risorgimento and Kairos International SICAV comp. Selection and Mediolanum Gestione Fondi Sgr. S.p.A. fund manager of: Mediolanum Flessibile Italia and Mediolanum Flessibile Sviluppo Italia (which obtained 1,841,788 votes equal to 4.553% of the voting share capital).

The Board of Statutory Auditors will remain in office until the Shareholders' Meeting called for the approval of the 2017 Annual Accounts.

From the end of the Reference Period, there were no changes within the Board of Statutory Auditors.

For further information on the slates filed for the appointment of the Board on July 22, 2015, reference should be made to the website of the Company www.fila.it, Governance Section, where the professional curriculum vitae of each statutory auditor are available.

The table below reports the members of the Board of Statutory Auditors currently in office and the statutory auditors that resigned during the Reference Period.

Board of Statutory Auditors

<i>Office</i>	Members	Year of birth	Date of first appointment *	In office until	Slate **	Ind. Code	Attendance at Board meetings *** Note 1	No. of other offices ****
Chairman	Claudia Mezzabotta	1970	July 22, 2015	December 31, 2017	m	X	8/8	1
Standing Auditor	Rosalba Casiraghi	1950	July 22, 2015	December 31, 2017	M	X	7/8	6
Standing Auditor	Stefano Amoroso	1964	July 22, 2015	December 31, 2017	M	X	8/8	-
Alternate Auditor	Pietro Villa	1967	July 22, 2015	December 31, 2017	M	X	-	
Alternate Auditor	Sonia Ferrero	1971	July 22, 2015	December 31, 2017	m	X	-	

-----**STATUTORY AUDITORS RESIGNING DURING THE REFERENCE PERIOD**-----

							Note 2
Chairman	Pier Luca Mazza	1958	October 7, 2013, appointed Chairman on October 9, 2013	December 31, 2015	N/A	X	-
Standing Auditor	Virginia Marini	1980	October 9, 2013	December 31, 2015	N/A	X	-
Standing Auditor	Marco Giuliani	1959	October 7, 2013	December 31, 2015	N/A	X	-
Alternate Auditor	Simona Valsecchi	1968	October 7, 2013	December 31, 2015	N/A	X	
Alternate Auditor	Fabio Massimo Micaludi	1961	October 7, 2013	December 31, 2015	N/A	X	

Number of meetings held in the Reference Period: 8

Quorum required for the presentation of slates by minority shareholders for the election of one or more members (as per Art. 148 of the CFA): 4.5%

NOTE

* The first appointment of each Statutory Auditor refers to the date on which the Statutory Auditor was appointed for the first time to the Board of Statutory Auditors of the Issuer.

** This column indicates the slate from which each Statutory Auditor originated (“M”: majority slate; “m”: minority slate).

*** This column indicates the percentage of attendance of the Statutory Auditors in relation to the number of meetings of the Board of Statutory Auditors (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

*** This column indicates the number of offices of director or statutory auditor in accordance with Article 148 *bis* of the CFA and the relative enacting provisions in the Consob Issuer Regulations. The complete list of offices held is published by Consob on its website pursuant to Article 144- *quinquiesdecies* of the Consob Issuers’ Regulations.

Note 1: the total number of meetings refers to those held from July 22, 2015 to December 31, 2015.

Note 2: the total number of meetings refers to those held from June 1, 2015 to July 22, 2015.

The meetings of the Board of Statutory Auditors may be held in different locations through audio or video links, on the condition that: (i) the Chairman of the meeting may ascertain the identity and right to attend of all present, govern the business of the meeting, in addition to verify and declare the voting results; (ii) the minutes-taker is able to adequately note all the matters pertaining to the meeting; (iii) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda, as well as view, receive or transmit documentation. If all the above-mentioned conditions are complied with, the meeting shall be deemed to have been held in the place where the Chairman is present and where the secretary of the meeting must be present, to permit the minute-taking of the meeting.

The Board of Statutory Auditors in the Reference Period met 8 times. The average participation of the statutory auditors in the meetings was 96%. The average duration of meetings was approximately 2 hours.

In addition to the meetings held on January 26, 2016, March 8, 2016, March 16, 2016 and March 21, 2016, at least 10 other meetings of the Board of Statutory Auditors will be held.

In the meeting of July 22, 2015, the Board of Statutory Auditors assessed with independence of its members. The result of these assessments were announced to the market on the same date, available on the website of the Company www.fila.it, in the Governance section.

The Board of Statutory Auditors reviewed the independence of the Audit Firm, ensuring compliance with regulatory provisions, and the nature and extent of the various services provided to the Issuer and its subsidiaries by the Audit Firm and its network.

The Board constantly maintained normal coordination activities with the Control and Risks Committee, the Internal Audit Department and the Supervisory Body. For information on the coordination of its activities, reference should be made to the previous paragraph 13.7.

Legislative Decree No. 39/2001 ("Implementation of EU Directive No. 43/2006, relating to the audit of separate and consolidated annual accounts, which modifies EU Directive 78/660 and EU Directive 83/349, and which revokes EU Directive 84/253) attributed to the Board of Statutory Auditors the functions of the Internal Control and Audit Committee and, in particular the oversight functions on (i) the financial reporting process; (ii) the efficiency of the internal control system, internal audit, where applicable, and risk management; (iii) the audit of the separate and consolidated annual accounts; (iv) the independence of the Audit Firm, in particular in relation to non-audit services by the party providing audit services.

For all of the period of trading of the shares of the Company on the Italian regulated market, the Board of Statutory Auditors exercises all duties and powers provided by special laws; with particular reference to the disclosure to the Board, the directors must report pursuant to Article 150 of the CFA on a quarterly basis.

17. RELATIONS WITH SHAREHOLDERS

The disclosure upon relations with shareholders is ensured by making available the most relevant corporate documents in a timely and continuous manner on the Issuer's website www.fila.it, in the 'Investors', 'Governance' and 'Pressroom' sections and, where required by the applicable regulations, at the authorized storage mechanism 'Nis- Storage' at www.emarketstorage.com.

In particular, all press releases issued to the market and the Issuer's periodic financial reports are available on the above-mentioned website as soon as they have been approved by the relevant bodies (annual report, interim report, quarterly report).

Also available on the aforementioned website are the main Corporate Governance documents, the Organization Model in accordance with Legislative Decree No. 231/2001 and the Ethics Code.

On June 4, 2015, the Board of Directors appointed Stefano De Rosa as *Investor Relations Officer* of FILA (contact: ir@fila.it), for the maintenance of relations with shareholders and institutional investors and to undertake any specific tasks for the management of price sensitive information and relations with CONSOB and Borsa Italiana.

The Board of Directors will assess the implementation of any further initiatives to ensure shareholders more timely and straightforward access to essential information upon the Issuer.

18. SHAREHOLDERS' MEETING (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER C), OF THE CFA)

18.1 SHAREHOLDER MEETINGS CALL

Pursuant to Article 9 of the By-Laws, the Shareholders' Meeting for the approval of the financial statements must be called by the Board of Directors at least once a year, within one hundred and twenty days from the end of the year or, in the cases provided for by Article 2364, paragraph 2, of the Civil Code, within one hundred and eighty days from the end of the year, pursuant to the provisions of Article 154-*ter* of the CFA.

The Shareholders' Meeting may be called in Italy, including outside the municipality of the company's registered office, or in another European Union country or Switzerland.

The Shareholders' Meeting is called, in accordance with the terms prescribed by current regulations, with notice published on the internet site of the Company as well as the other methods required by law and applicable regulations, and contains the information required by current regulations, also based on the matters on the Agenda.

As per Article 126-*bis* of the CFA, shareholders who represent, even jointly, at least one-fortieth of the share capital may request - except for matters within the remit of the Board or based on projects or a report prepared by them - within ten days of publication of the Call Notice, or within five days in the case of calling as per Article 125-*bis*, paragraph 3, of the CFA or Article 104, paragraph 2, of the CFA, a supplementation to the matters on the Agenda, indicating in the request the further matters to be included on the Agenda, or present proposals on matters already on the Agenda. Shareholders requesting supplementation to the Agenda should draw up a Report outlining the reasons for the proposal of new matters to be added to the Agenda or the reasoning concerning further proposals to be presented on matters already on the Agenda and

present such to the Board of Directors by the deadline for the presentation of requests for supplementation.

In accordance with Article 2367 of the Civil Code the directors must call without delay the Shareholders' Meeting where such request is made by shareholders representing at least 20% of the share capital.

Pursuant to Article 127-*ter* of the CFA, shareholders may submit questions on the matters on the Agenda, also before the Shareholders' Meeting. For questions submitted before the Shareholders' Meeting, responses will be made, at the latest, during the Meeting. The Company may provide a single reply to questions with the same subject matter. The call notice indicates the terms within which the questions to the Shareholders' Meeting must be received by the Company. The period may not be prior to three days before the date of the Shareholders' Meeting in first or single call, or five days where the call notice provides for the Company to reply before the Shareholders' Meeting. In this case, replies are provided at least two days before the Shareholders' Meeting including through publication in a specific section of the website of the Company.

18.2 RIGHT TO ATTEND SHAREHOLDERS' MEETINGS

In accordance with Article 10 of the By-Laws, persons with the right to vote may attend the Shareholders' Meeting.

Those who based on the communication sent to the Company from an appointed intermediary, in accordance with applicable legislation, and in accordance with the accounting records at the end of the 7th trading day before the Shareholders' Meeting in single call, have the right to attend and vote at the Shareholders' Meeting.

Those with the right to vote may be represented by a proxy in accordance with law. Electronic notification of proxy to the company may be carried out through e-mail to the certified e-mail address of the company indicated in the call notice or through a specific section on the website of the Company.

The Company may designate, for each Shareholders' Meeting, with indications contained in the call notice, a party to whom the shareholder may confer proxy with voting instructions on all or some of the proposals on the Agenda, in accordance with law (pursuant to Article 135-*undecies* of the CFA).

18.3 PROCEDURES FOR SHAREHOLDERS' MEETINGS

The Shareholders' Meeting is chaired by the Chairman of the Board of Directors or, in his absence or impediment or on the request of the Chairman himself, by another person designated by the Shareholders' Meeting, including the Chief Executive Officer (where appointed). The Chairman shall be assisted by a secretary designated on his proposal by the majority of attendees. At the Extraordinary Shareholders' Meeting and, in any case, where the Chairman considers it appropriate, the function of secretary may be exercised by a notary designated by the Chairman.

For the valid constitution of the Shareholders' Meeting, both ordinary and extraordinary, and resolutions thereof, the legal and statutory provisions are applied. For the purposes of the quorum required by law and the present By-Laws for the constitution of the Ordinary and Extraordinary Shareholders' Meeting for the validity of the relative resolutions, reference is made to the number of votes attached to the shares and not to the number of shares.

The Shareholders' Meeting is called in single notice.

The Shareholders' Meeting may be held in several locations, via audio/video link, on the condition that a collective approach is taken and the principles of good faith and of equal treatment of shareholders are upheld and, in particular, provided that: (a) the Chairman of the Shareholders' Meeting may (i) ascertain the identity and right to attend of all present, (ii) govern the business of the meeting, in addition to (iii) verify and declare the voting results; (b) the minutes-taker is able to adequately note all the matters pertaining to the Shareholders' Meeting; (c) attendees may participate in the discussions and vote simultaneously on the matters on the Agenda; (d) this method is contained in the call notice of the Shareholders' Meeting which also indicates the locations. The meeting is considered to be held where the Chairman and the minute-taker are present simultaneously.

Pursuant to Article 7 of the By-Laws, shareholders may withdraw in accordance with the mandatory cases provided for by law.

The opposition of Shareholders to resolutions regarding the extension of the duration of the Company or the introduction or the removal of provisions concerning the circulation of shares does not constitute a right to withdrawal. The liquidation value of the shares is determined in accordance with Article 2347-ter of the Civil Code.

In accordance with Article 20 of the By-Laws, the net profit resulting from the financial statements, reduced by 5% for the legal reserve, until such reaches one-fifth of the share capital, is divided between the shareholders in accordance with the resolutions of the Shareholders' Meeting.

The Shareholders' Meeting of the Issuer adopted the shareholder's regulation approved on October 15, 2013 by the Shareholders' Meeting of Space and the regulation governs the workings of the Shareholders' Meeting in order to comply with the applicative criteria. This Shareholders' Meeting regulation provides, among other matters, that:

- (i) the Chairman (the Chairman of the Board of Directors or, in his absence or impediment, the person designated by the Shareholders' Meeting) may adopt all provisions considered appropriate to guarantee the correct proceeding of the Shareholders' Meetings and the exercise of the rights of attendees;
- (ii) in introducing the matters on the Agenda and proposals, the Chairman, as long as the Shareholders' Meeting does not oppose, may introduce a differing Agenda from that stated in the call notice and may amalgamate some or all of the matters on the Agenda under a single heading;
- (iii) the Chairman manages the discussion, giving the floor to directors, statutory auditors and persons requesting such right. Those holding the right to vote and the general representative of the bondholders may request the floor on only one occasion for each matter on the Agenda, making observations and requesting information. Those holding the right to vote may also formulate proposals. Requests may be made on the constitution of the Shareholders' Meeting until the Chairman declares the discussion of the matter closed. In order to guarantee the ordinary workings of the Shareholders' Meetings, the Chairman may establish, on opening of the meeting's business or during the discussion on the individual

matters, the time limit for the presentation of the requests. The Chairman establishes the manner in which contribution requests are made and the order in which they are heard. The Chairman and, on his invitation, persons who assist him, respond to speakers at the end of all contributions under discussion, or after each contribution, taking account also of any questions drawn up by shareholders before the Shareholders' Meeting, which have not been responded to by the Company. Those who have requested the floor have the right to a brief reply;

- (iv) before voting commences, the Chairman of the meeting readmits any shareholders requesting to leave the meeting during the discussion in accordance with the regulation;
- (v) the Chairman decides the order in which the resolutions on the Agenda are presented for voting, normally giving preference to any proposals made by the Board of Directors.

During the Reference Period, a Shareholders' Meeting was held on July 22, 2015 (in which 9 directors attended). The Board of Directors reported to the Shareholders' Meeting on the activities carried out and endeavoured to ensure that shareholders had all necessary information so that they could take, with sufficient knowledge, the decisions within the authority of a Shareholders' Meeting.

In relation to shareholder's rights not illustrated in the present Report, reference should be made to applicable law and regulations.

19. ADDITIONAL CORPORATE GOVERNANCE PRACTICES

At the date of the present Report, the Issuer has not applied further corporate governance practices other than those in accordance with applicable legislative and regulatory provisions.

20. CHANGES SINCE THE REFERENCE PERIOD

Since the end of the Reference Period, no changes have been made to the corporate governance structure.

ATTACHMENT A

1. SPACE PROFILE

Space was a limited liability company qualifying as an SIV (special investment vehicle) in accordance with Article 2.2.42, paragraph 1, of the Stock Exchange Regulation and whose shares were admitted for trading on the MIV professional segment, which includes, among others, financial instruments issued by SIV's (among which Space) reserved exclusively to qualified investors.

Space was created with the objective of identifying a target company in order to realise, within a period of approx. two years from the date of admission of shares to trading on the MIV (i.e. December 18, 2013), a significant transaction, i.e. the acquisition of a company, entity, business or business unit (the "Target") by any means - including business combinations on through conferment or merger, also combined with the acquisition or subscription of equity investments.

1.1 WARRANTS

During the Listing Process, the Extraordinary Shareholders' Meeting of Space issued:

- 8,657,502 "Market Warrants", listed on the MIV which, at the date of the present Report, are no longer in circulation; and
- Sponsor Warrants (paragraph 3.1.2 of the present Report).

2. BOARD OF DIRECTORS

2.1 COMPOSITION OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

The Board of Directors of Space at the Effective Merger Date was composed of the following members:

Office	Name	Date of appoint.
Chairman	Gianni Mion	October 7, 2013
Chief Executive Officer	Roberto Italia	October 7, 2013
Director	Carlo Pagliani	October 7, 2013
Director	Edoardo Carlo Maria Subert	October 7, 2013
Director	Micaela Le Divelec Lemmi	October 9, 2013
Director	Alberto Amadio Tazartes	October 9, 2013
Director	Francesca Prandstraller	July 29, 2014

On October 7, 2013, on the incorporation of Space, 5 members were appointed to the Board of Directors, as follows: Gianni Mion (Chairman), Sergio Piero Franco Erede, Roberto Italia, Carlo Pagliani and Edoardo Subert. Subsequently, on October 9, 2013, the Shareholders' Meeting supplemented the Board of Directors, with suspensive motion subject to the completion of the Listing, through the appointment of three Independent Directors, as follows: Maria Patrizia Grieco, Micaela Le Divelec Lemmi and Alberto Amadio Tazartes, in office from the Listing Date. The duration of the mandate of these Directors was until the Shareholders' Meeting called for the approval of the 2015 Annual Accounts.

On March 13, 2014, the Director Sergio Piero Franco Erede resigned as a non-executive director. The Board of Directors of Space decided not to co-opt a new director in accordance with the provisions of Article 2386, paragraph 1, of the Civil Code and presented the matter before the Shareholders' Meeting. The shareholders' meeting of Space held on April 17, 2014 therefore approved the reduction in the number of directors from eight to seven members.

On July 29, 2014, the independent director Maria Patrizia Grieco resigned as an independent director. The Board of Directors co-opted a new director, in accordance with the provisions of Article 2386, paragraph 1 of the Civil Code, appointing the independent director Francesca Prandstraller. The Shareholders' Meeting of Space, held on February 20, 2015, confirmed the appointment of the independent director Francesca Prandstraller.

The table below reports the members of the Board of Directors in office during the Space Reference Period.

Board of Directors												Control and Risks Committee	
Office	Members	Year of birth	Date of first appointment*	In office until	Slate **	Exec.	Non-exec.	Ind. Code	Ind. CFA	No. other offices ***	(*) Note 1	(*) Note 2	(**)
Chairman	Gianni Mion	1943	October 7, 2013	December 31, 2015	n.a.		X			9	4/4		
Executive director	Roberto Italia	1966	October 7, 2013	December 31, 2015	n.a.	X				11	4/4		
Director	Edoardo Carlo Maria Subert	1960	October 7, 2013	December 31, 2015	n.a.	X				3	4/4		
Director	Carlo Pagliani	1962	October 7, 2013	December 31, 2015	n.a.		X			4	4/4		
Director	Micaela Le Divelec Lemmi	1968	October 7, 2013	December 31, 2015	n.a.		X	X	X	1	3/4	2/2	C
Director	Francesca Prandstraller	1962	July 29, 2014	December 31, 2015	Co-opt.		X	X	X	1	4/4	2/2	M
Director	Alberto Amadio Tazartes	1958	October 7, 2013	December 31, 2015	n.a.		X	X	X	4	3/4	1/2	M
Number of meetings held during the Space Reference Period 4									Control and Risks Committee: 2				

NOTE

The following symbols must be indicated in the “Office” column:

◇ This symbol indicates the main person responsible for the Issuer’s operative management (Chief Executive Officer or CEO).

* The first appointment of each Director refers to the date on which the Director was appointed for the first time to the Board of the Issuer.

** This column indicates the slate from which each Director originated (“M”: majority slate; “m”: minority slate; “BoD”: slate presented by the BoD).

***This column indicates the number of offices a Director or Statutory Auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

(*). This column indicates the percentage of attendance of the Director in relation to the number of BoD and Committee meetings (indicates the number of meetings attended compared to the amount they could have attended; e.g. 6/8; 8/8 etc.).

(**). This column indicates the position of the Director on the Committee: “C”: chairman; “M”: member;

Note 1: the total number of meetings refers to those held during the Space Reference Period i.e. from January 1, 2015 to June 1, 2015.

2.2 ACTIVITIES OF THE BOARD OF DIRECTORS

During the Space Reference Period, the Board of Directors approved resolutions on the following issues:

- (i) review and approval of the Transaction and therefore including the Merger and admission for trading on the MTA of the ordinary shares of Space and of the Market Warrants;
- (ii) review and approval of the financial statements of the year ended December 31, 2014; related resolutions, including the approval of the corporate governance and shareholder structure report pursuant to Article 123-*bis* of the CFA and the remuneration report as per Article 123-*ter* of the CFA;
- (iii) review and approval of the interim report at March 31, 2015.

2.3 BOARD OF DIRECTORS' MEETINGS

During the Space Reference Period, the Board of Directors held 4 meetings, on the following dates: January 15, 2015; March 2, 2015; April 13, 2015; May 6, 2015.

The average duration of meetings was approximately two hour and minutes of the meetings were kept.

During the Space Reference Period, against an overall participation of 84.37% of the Directors and a participation of 87.5% of the Independent Directors, the participation of each director was as follows: 100% for Gianni Mion, 75% for Micaela Le Divelec, 100% for Roberto Italia, 100% for Carlo Pagliani, 100% for Francesca Prandstraller, 100% for Edoardo Subert and 75% for Alberto Tazartes.

2.4 EXECUTIVE BODIES

On October 15, 2013, the Board of Directors approved the appointment of Roberto Italia as Executive Director, conferring powers for the ordinary management of Space. The same Board meeting attributed to each of the directors Edoardo Subert and Carlo Paglian the powers to exercise joint signature with Roberto Italia.

2.5 CHAIRMAN OF THE BOARD OF DIRECTORS

On October 7, 2013, on the incorporation of Space, Gianni Mion was appointed Chairman of the Board of Directors.

3. INTERNAL COMMITTEES TO THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D), OF THE CFA)

For simplification and efficiency of the governance structure, the Board of Directors of Space only set up the Control and Risks Committee.

3.1 CONTROL AND RISKS COMMITTEE

3.1.1 *Composition and Operation (as per Article 123-bis, paragraph 2, letter d) of the CFA)*

On October 15, 2013, the Board of Directors of Space approved the creation of the Control and Risks Committee composed of 3 (three) directors holding the requisites of independence pursuant to Article 147-*ter*, paragraph 4, of the CFA, of which at least 1 (one) with adequate accounting and financial or risk management experience.

Pursuant to the Control and Risks Committee regulation, adopted by the Board of Directors motion of October 15, 2013, the Control and Risks Committee is comprised of independent directors.

NAME	OFFICE
Micaela Le Divelec (Chairman)	Independent Director
Francesca Prandstraller	Independent Director
Alberto Tazartes	Independent Director

The Chairman of the Statutory Auditors also attended the meetings of the Control and Risks Committee during the Space Reference Period.

In the Space Reference Period, the Control and Risks Committee met 2 times on the following dates: March 2, 2015 and May 6, 2015.

Minutes are kept of the Control and Risks Committee.

3.2 ACTIVITIES UNDERTAKEN

In the Space Reference Period, the Control and Risks Committee undertook the following activities:

- (i) evaluated the correct utilisation of the accounting policies and their uniformity in the preparation of the financial statements at December 31, 2014, as well as the interim financial statements at September 30, 2015;
- (ii) reviewed the exposure of Space to the principal risks related to the activities undertaken by the company;
- (iii) reviewed and approved the corporate governance and ownership structure report pursuant to Article 123-*bis* of the CFA in relation to its remit and, in particular, the principal features of the Internal Control and Risk Management System.

4. INTERNAL CONTROL AND RISK MANAGEMENT SYSTEM (AS PER ARTICLE 123-BIS, PARA. 2, LETTER 3) OF THE CFA)

In consideration of the nature of the activities undertaken and the corporate organisation, Space did not set up an internal control and risk management system, concerning the set of rules, procedures and organisational structures which enable the identification, measurement, management and monitoring of the principal risks.

Space management, having assessed the organisational requirements, considered it appropriate only to set up the Internal Control and Risk Management System and to appoint the oversight executive of the Internal Control and Risk Management system as Mr. Carlo Pagliani.

5. INDEPENDENT AUDIT FIRM

The Space Shareholders' Meetings motion of October 9, 2015, pursuant to Article 16 of Leg. Decree 39/2010, appointed Reconta Ernst&Young as the independent audit firm. The duration of the appointment is 9 years (2013 - 2021).

6. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) OF THE CFA)

During the Space Reference Period, the Board of Directors of Space in office was composed of the following members appointed by the Shareholders' Meeting of Space of October 7, 2013 (with the exception of Ms. Virginia Marini who was appointed by the Shareholders' Meeting of Space on October 9, 2013, in replacement of the resigning standing auditor Mr. Raoul Francesco Vitulo).

Office	Name	Date of appoint.
Chairman	Pier Luca Mazza	October 7, 2013, appointed Chairman on October 9, 2013
Standing Auditor	Virginia Marini	October 9, 2013 ³
Standing Auditor	Marco Giuliani	October 7, 2013
Alternate Auditor	Simona Valsecchi	October 7, 2013
Alternate Auditor	Fabio Massimo Micaludi	October 7, 2013

The duration of the mandate of these Statutory auditors was until the Shareholders' Meeting date called for the approval of the 2015 Annual Accounts.

In the Space Reference Period, the Board of Statutory Auditors met 3 times on the following dates: February 2, 2015, March 11, 2015 and May 6, 2015. The participation of each Statutory Auditor of Space in the meetings in the Space Reference Period was 100%.

Milan, March 31, 2016

F.I.L.A. – Fabbrica Italiana Lapis ed Affini S.p.A.

For The Board of Directors

Gianni Mion

Chairman