

DAMIANI

YEARLY REPORT ON CORPORATE GOVERNANCE AND OWNERSHIP STRUCTURE OF DAMIANI S.P.A.

Drafted pursuant to article 123 bis of Legislative Decree no. 58/98 ("Consolidated Law on Finance")

FINANCIAL YEAR 1 APRIL 2009 - 31 MARCH 2010

(traditional management and control system)

Approved by the Board of Directors of the Company on 11 June 2010 and available on the website www.damiani.com in the “Investor Relations – Corporate Governance” section.

Dear Shareholders,

pursuant to the applicable legislation and regulations as well as to the “Instructions on the Italian Stock Exchange Regulation”, and having taken into account the new “*Format of report on corporate governance and ownership structure*” issued by Borsa Italiana S.p.A. last February, the Board of Directors of Damiani S.p.A. provides you with a complete information on its system of Corporate Governance, with reference to the principles of the Corporate Governance Code of Listed Companies (March 2006 edition; hereinafter also referred to as “Corporate Governance Code”).

This Report - approved by the Board of Directors during the meeting of 11 June 2010 - was made available on the website www.damiani.com, “*Investor Relations - Corporate Governance*” section, within the timeframes set forth by the applicable regulation.

DAMIANI S.P.A. - registered office in Valenza (AL), Viale Santuario no. 46 -
Share capital: € 36.344.000 entirely paid - Fiscal Code and VAT code no. 01457570065
Companies Register of Alessandria no. 01457570065 - REA no. 162836

INDEX

- 1. ISSUER PROFILE 6**
 - (A) SHARE CAPITAL STRUCTURE (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER A) OF THE CONSOLIDATED LAW ON FINANCE) 8
 - (B) RESTRICTION ON THE TRANSFER OF SHARES (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER B) OF THE CONSOLIDATED LAW ON FINANCE)..... 9
 - (C) SIGNIFICANT INTERESTS IN THE SHARE CAPITAL (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER C) OF THE CONSOLIDATED LAW ON FINANCE)..... 9
 - (D) OWNERS OF SHARES GRANTING SPECIAL RIGHTS OF CONTROL (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER D) OF THE CONSOLIDATED LAW ON FINANCE). 10
 - (E) EMPLOYEES’ SHAREHOLDING: VOTING MECHANISM (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER E) OF THE CONSOLIDATED LAW ON FINANCE). 10
 - (F) RESTRICTIONS ON VOTING RIGHT (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER F) OF THE CONSOLIDATED LAW ON FINANCE). 10
 - (G) SHAREHOLDERS’ AGREEMENT (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER G) OF THE CONSOLIDATED LAW ON FINANCE). 10
 - (H) CHANGE OF CONTROL CLAUSES (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER H) OF THE CONSOLIDATED LAW ON FINANCE) 11
 - (I) DELEGATED POWERS TO INCREASE THE COMPANY’S SHARE CAPITAL AND TO PURCHASE COMPANY’S OWN SHARES. 11
 - (L) MANAGEMENT AND COORDINATION ACTIVITY (AS PER ARTICLE 2497 AND FOLLOWINGS OF THE CIVIL CODE)..... 13
- 3. COMPLIANCE 15**
 - 4. BOARD OF DIRECTORS 16
 - 4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE COMPANY’S BY-LAWS (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER L) OF THE CONSOLIDATED LAW ON FINANCE). 16
 - 4.2 COMPOSITION (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE) 16
 - 4.3 ROLE OF THE BOARD OF DIRECTORS (AS PER ARTICLE 123-BIS, FIRST PARAGRAPH, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE) 20
 - 4.4 DELEGATED BODIES 26
- 5. TREATMENT OF CORPORATE INFORMATION (ARTICLE 4 OF THE CODE)..... 32**
- 6. INTERNAL COMMITTEES OF THE BOARD (AS PER ARTICLE 123-BIS, SECOND PARAGRAPH, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE) 34**
 - 8. REMUNERATION OF DIRECTORS 38
 - INDEMNITIES IN FAVOUR OF DIRECTORS IN CASE OF THEIR RESIGNATION, REVOCATION OR TERMINATION OF THE EMPLOYMENT AGREEMENT, ALSO AS A RESULT OF A TAKEOVER BID (AS PER ARTICLE 123 BIS, FIRST PARAGRAPH, LETTER I), OF THE CONSOLIDATED LAW ON FINANCE)..... 38
- 10.3 MODEL OF ORGANISATION PURSUANT TO LEGISLATIVE DECREE NO. 231/2001..... 50**
- 10.4 EXTERNAL AUDITING COMPANY 51**
- 10.5. MANAGER RESPONSIBLE FOR THE DRAWING-UP OF THE COMPANY’S FINANCIAL REPORTS 51**
- 11. DIRECTORS’ INTERESTS AND TRANSACTIONS WITH RELATED PARTIES 53**
- 12. APPOINTMENT OF STATUTORY AUDITORS 55**
- 13. STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, SECOND PARAGRAPH, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE) 57**
- ATTACHMENT “A” TO THE YEARLY REPORT ON CORPORATE GOVERNANCE 64**
 - NOTES 64
- ATTACHMENT “B” TO THE YEARLY REPORT ON CORPORATE GOVERNANCE..... 65**

NOTES.....	65
ATTACHMENT "C" TO THE YEARLY REPORT ON CORPORATE GOVERNANCE	66

1. ISSUER PROFILE

The system of corporate governance of Damiani S.p.A. is the traditional one, the so-called Latin model and, therefore, the corporate bodies of the Company are the Shareholders' Meeting, the Board of Directors and the Board of Statutory Auditors.

The Board of Directors has two internal committees: the Internal Control and Corporate Governance Committee and the Remuneration Committee. Both committees play an advisory and proposing role, with the aim of facilitating the functionality and the activities of the Board.

A) THE SHAREHOLDERS' MEETING

The competences, role and functioning of the Shareholders' Meeting are set forth by the law and by the Company's By-laws currently in force, which we hereby make reference to.

B) THE BOARD OF DIRECTORS

The Board of Directors consists of a number of directors between five and fifteen, said number being decided, from time to time, by the Shareholders' Meeting. The Board appoints a President among its members and can also appoint one or more Vice Presidents.

According to the Company's By-laws the President, or the subject taking his place, legally acts on behalf of the Company, both towards third parties and in judicial proceedings, with single signature, being entitled to file suits and pleas as well as suits for annulment and appeal to the Supreme Court, to appoint lawyers and attorneys for disputes. Moreover, the legal representation is granted disjointly, within the limits of the powers granted by the Board of Directors, to one or more members of the Board, also acting in the quality of managing directors.

As detailed below, the Board of Directors is provided with the most wide range of powers for the ordinary and extraordinary management of the Company (with the only exception of the powers reserved by the law to the approval of the Shareholders' Meeting), including the power to resolve upon mergers in the cases described by articles 2505 and 2505 *bis* of the Italian Civil Code, to set up and terminate branch offices, to grant directors the powers to legally represent the Company, to approve the reduction of Company's share capital in case of withdrawing by any shareholders, to conform the Company's By-laws to any law provisions, and to approve the transfer of the registered office within the national territory.

C) THE COMMITTEES

Pursuant to the Self-Discipline provisions, an “Internal Control and Corporate Governance Committee” and a “Remuneration Committee” - with advisory and proposing functions - are set within the Board of Directors. On the other hand, as of today it was not deemed necessary to set up an Appointment Committee.

D) THE BOARD OF STATUTORY AUDITORS

Consisting of three standing members and two substitute members, it is the Company’s control body. The Board is entrusted with the task of supervising on the compliance by the Company of the laws and of the Company’s By-laws, as well as of the standard principles of accounting and administration, also verifying that appropriate instructions are given by the Company to its internal bodies and subsidiaries. The Board of Statutory Auditors must also supervise on the adequacy of the Company’s organizational structure, on its internal control and accounting-administration systems, carrying out any necessary control with this purpose.

Furthermore, the Board must also supervise that the corporate governance rules provided for by the codes approved by the stock-exchanges managing companies and by trade associations and to which the Company publicly declares to comply with, are effectively complied with by the Company, as well as supervise on the adequacy of the instructions transmitted by the Company to its subsidiaries in order for the latter to provide the Company with any information necessary for the compliance with the duties of disclosure provided by the law.

2. INFORMATION ON THE OWNERSHIP STRUCTURE (as per article 123-bis, first paragraph, of the Consolidated Law on Finance)

Please find below the information on the ownership structure of the Company as to the date of approval of this Report, pursuant to article 123 bis, first paragraph, of the Consolidated Law on Finance.

(A) SHARE CAPITAL STRUCTURE (as per article 123-bis, first paragraph, letter a) of the Consolidated Law on Finance)

The entire share capital of Damiani S.p.A. consists of ordinary shares with voting right, listed on the computerized stock exchange, STAR segment (i.e. “*Segmento Titoli Alta Rilevanza*”), managed by Borsa Italiana S.p.A..

The current share capital of the Company is wholly subscribed and paid up, amounts to EUR 36,344,000.00 (thirtysixmillionthreehundredandfortyfourthousand) and it is divided into 82,600,000.00 (eightytwomillionsixhundredthousand) ordinary shares, having nominal value of EUR 0.44 (zeropointfortyfour) each.

On the date of approval of this Report the Board there are three pending plans based on financial instruments, namely:

- the “*Stock-Option Plan of Gruppo Damiani S.p.A. 2007/2010 for the granting of option on a maximum number of 1.600.000 ordinary shares*”, described in the “*Informative Document on the Remuneration plan based on financial instruments (Stock Option)*” drafted pursuant to article 84bis of CONSOB Regulation no. 11971/99, and made available on the website www.damiani.com, “*Investor Relation – Financial Press Releases*” section;
- the “**Stock Grant Plan 2009**” regarding the free assignment of a maximum number of 1.000.000 Damiani shares to employees and certain directors of the Damiani Group, in one or more tranches, within five years from the approval by the Shareholders’ Meeting of 22 July 2009; the plan is described in the “*Informative Document drafted pursuant to article 84 bis, first paragraph, of the CONSOB Regulation no. 11971/99 and subsequent amendments*”, included in the Damiani S.p.A. Directors Report pursuant to article 3 of Ministerial Decree no. 437 of 5 November 1998, and in the “*Integrative Information*” made available on the website www.damiani.com, “*Investor Relation – Financial Press Releases*” section;
- the “**Stock Option Plan 2009**” regarding the sale of options for the purchase of Damiani shares to the Management of the Damiani Group, in one or more tranches, within five years from the approval by the shareholders’ meeting of 22 July 2009; the plan is described in the

“Informative Document drafted pursuant to article 84 bis, first paragraph, of the CONSOB Regulation no. 11971/99 and subsequent amendments”, included in the Damiani S.p.A. Directors Report pursuant to article 3 of Ministerial Decree no. 437 of 5 November 1998, and in the “Integrative Information on the Stock Option Plan 2009” made available on the website www.damiani.com, “Investor Relation – Financial Press Releases” section.

SHARE CAPITAL STRUCTURE				
	NUMBER OF SHARES	% OF THE SHARE CAPITAL	LISTED (ON WHAT MARKETS) / NOT LISTED	RIGHTS AND OBLIGATIONS
ORDINARY SHARES	82.600.000	100%	Mercato Telematico Azionario - STAR segment - managed by Borsa Italiana S.p.a.	
LIMITED-VOTE SHARES				
NON-VOTING SHARES				

(B) RESTRICTION ON THE TRANSFER OF SHARES (as per article 123-bis, first paragraph, letter b) of the Consolidated Law on Finance).

The By-laws of Damiani S.p.A. neither set any restrictions on the transfers of shares or to the holding of shares, nor require the approval by any corporate bodies or shareholders for the admission of new Shareholders.

(C) SIGNIFICANT INTERESTS IN THE SHARE CAPITAL (as per article 123-bis, first paragraph, letter c) of the Consolidated Law on Finance).

Based on the entries of the Shareholders Register updated up to the date of approval of this Report, including any communication received by the Company as per article 120 of the Consolidate Law on Finance, as well as on the basis of any other available information, parties owning, both directly and indirectly, an interest exceeding 2% of the subscribed and paid up Share Capital are the followings:

RELEVANT INTERESTS IN THE SHARE CAPITAL			
DECLARANT	DIRECT SHAREHOLDER	QUOTA OF THE ORDINARY SHARE CAPITAL	QUOTA OF THE VOTING SHARE CAPITAL
DAMIANI S.P.A.	DAMIANI S.P.A.	6,803%	6,803%
GIUDO GRASSI DAMIANI	GIUDO GRASSI DAMIANI	5,025%	5,025%
GIUDO GRASSI DAMIANI	LEADING JEWELS SA	56,413%	56,413% ¹

¹ Out of which no. 616.379 in bare property with voting right.

GIORGIO GRASSI DAMIANI	GIORGIO GRASSI DAMIANI	6,111%	6,111% ²
SILVIA GRASSI DAMIANI	SILVIA GRASSI DAMIANI	5,675%	5,675%
DGPA SGR S.p.A.	DGPA SGR S.p.A.	5,363%	5,363%

(D) OWNERS OF SHARES GRANTING SPECIAL RIGHTS OF CONTROL (as per article 123-bis, first paragraph, letter d) of the Consolidated Law on Finance).

The Company has not issued any shares granting special rights of control and the Company's By-laws ("By-laws") do not provide for any special powers for specific shareholders or for owners of particular kind of shares.

(E) EMPLOYEES' SHAREHOLDING: VOTING MECHANISM (as per article 123-bis, first paragraph, letter e) of the Consolidated Law on Finance).

The By-laws of Damiani S.p.A. do not include any special provision regarding voting rights of the employees.

(F) RESTRICTIONS ON VOTING RIGHT (as per article 123-bis, first paragraph, letter f) of the Consolidated Law on Finance).

The By-laws of Damiani S.p.A. do not provide for any restrictions or limitations to the voting rights, and the financial rights pertaining to the shares are not splitted from the ownership of the relevant shares.

(G) SHAREHOLDERS' AGREEMENT (as per article 123-bis, first paragraph, letter g) of the Consolidated Law on Finance).

As on the date of approval of this Report, one Shareholders' Agreement exists as per article 122 of Legislative Decree 58/1998 ("Consolidated Law on Finance"), entered into by and between the Damiani Siblings (Guido, Giorgio and Silvia) on 9 September 2007. Said agreement was published, pursuant to article 122 of the Consolidated Law on Finance and following amendments, in the daily newspaper "La Repubblica" on 18 November 2007 and it was registered with the Companies Register of Alessandria (AL) on 19 November 2007.

The companies whose shares are concerned by the Agreement are "D Holding S.A." and "Leading Jewels S.A.", the latter being the owner of a direct controlling interest in Damiani S.p.A.

² Out of which no. 163.373 in bare property with voting right.

For further information please make reference to the abstract of the agreement published on the CONSOB website www.CONSOB.it.

(H) CHANGE OF CONTROL CLAUSES (as per article 123-bis, first paragraph, letter h) of the Consolidated Law on Finance)

As on the date of drafting of this Report the Company is party to a loan agreement with Unicredit Corporate Banking S.p.A. which includes a provision granting the Bank the right to terminate the agreement in case of change of control; the agreement starts from 1 July 2010 and its duration is 72 months (12 of which of pre-amortization).

As on the same date, the Company is also party to two loan agreements that do not include any clause influencing their efficacy or implying amendments of termination as a consequence of the change of control of the Company (so called "change of control clauses"), but include the right of withdrawal of the bank in case of merger or spin-off of the Company. Reference is specifically made to:

- a loan agreement entered into with Interbanca with effect as of 31 December 2005 and duration until 31 December 2010;
- a loan agreement entered into with Medio Credito Centrale with effect as of 30 November 2005 and duration until 30 November 2010.

"Change of control" clauses are also included in (i) some license agreements, as well as (ii) in some selective distribution agreement entered into by the subsidiary Rocca S.p.A. with Rolex Italia S.p.A., Patek Philippe S.A., Richemond Italia S.p.A. and Bulgari Italia S.p.A., in order for Rocca's branches over the Italian territory to be qualified as "Authorized Dealers" of Rolex, Patek Philippie, Cartier, IWC, Baume & Mercier, Lange et Sohne, Bulgari brands.

(I) DELEGATED POWERS TO INCREASE THE COMPANY'S SHARE CAPITAL AND TO PURCHASE COMPANY'S OWN SHARES.

The Board of Directors has not been granted with any proxy to increase the share capital pursuant to article 2443 of the Civil Code.

The Ordinary Shareholders' Meeting of 22 July 2009 - after revoking the authorization to purchase and dispose of own shares, resolved during the meeting of 22 February 2008, within the limit the same has not been already used - authorized the Board of Directors, pursuant to articles 2357 and followings of the Italian Civil Code as well as of article 132 of

the Consolidated Law on Finance, to purchase Company's own shares up to a maximum of one tenth of the Company's share capital hence non exceeding the number of 8,260,000 (eightmilliontwohundredandsixtythousand) ordinary shares with nominal value of Euro 0,44 each (also considering shares that might be owned by the Company's subsidiaries); said authorization was approved for a period of 18 months starting from the resolution and expiring on 22 January 2011, and granted the power to dispose of the own shares eventually bought, without any time limit, in one or more lots, even prior to the completion of the purchase of the maximum number of own shares allowed.

Pursuant to article 132 of the Consolidated Law on Finance and article 144 *bis* of CONSOB Regulation no. 11971/99, the purchases of shares can be made (i) by takeover bids, (ii) on the market, pursuant to the technical modalities set forth under the stock-exchange regulations that do not allow a direct connection between specific purchases and sale offers, as well as (iii) by purchase and sale of derivatives negotiated on the market at the conditions set by the regulation; lastly (iv) by the other modalities that might be allowed pursuant to articles 132 of the Consolidated Law on Finance and article 144*bis* of CONSOB Regulation no. 11971/99 or by other provisions applicable from time to time as on the date of the transaction; in any case in order to ensure the same treatment to all Shareholders and the compliance with any applicable regulation, including the EU regulation; moreover, purchases may be made in one or more lots.

The purchase price of each own share is fixed and equal, including the purchase additional charges, to an amount (a) not lower, as to its minimum, to the 20% (twentypercent) of the official price during the Stock Exchange business day before each transaction, and (b) not higher, as to its maximum, to the 20% (twentypercent) of the official price during the Stock Exchange business day before each transaction.

During the same meeting of 22 July 2009 the Shareholders' Meeting authorized the disposal, with no time-limits, of the own shares at such a minimum price as to not negatively affect the Company and, in any case, not lower than 90% of the average official price during the five Stock Exchange business days before each sale (that can be derogated in particular cases and in the Company's interest, such as in case of exchange or transfer of own share within the frame of an industrial project, as well as in case of appointment and/or transfer of shares pursuant to distribution plans, against consideration or for free, of shares or options on the same shares in favour of directors, employees or co-operators of the Damiani Group and, in general, any plan approved pursuant to article 114 *bis* of the Consolidated Law on Finance, as well as in case of free assignment plans in favour of shareholders).

The acts of disposal of purchased shares can be made, in one or more lots, also before the completion of all the authorized purchases, with the modalities deemed more appropriate in the Company's interest, including the sale on the Stock Exchange, out of the market, or by means of the exchange of participations or other assets within the frame of industrial projects, or the performance of incentive plans or in any case plans pursuant to article 114 *bis* of the Consolidated Law on Finance, or by means of Public Offerings to Buy or Exchange.

On 22 July 2009 and in line with the resolution of the Shareholders' Meeting of the same date, the Board of Directors approved a new purchase plan of Company's own shares up to a maximum number of 3.043.810 shares, at a maximum price of Euro 12,175,240, to be finalized - in compliance with the applicable laws and regulations - between 23 July 2009 and 22 January 2011.

As on 11 June 2010, date of approval of this Report, said purchase plan of own shares is still under performance and the Company owns an overall number of 5,619,609 shares in Damiani S.p.A., representing 6,8% of the Issuer's share capital.

(L) MANAGEMENT AND COORDINATION ACTIVITY (as per article 2497 and followings of the Civil Code)

Damiani S.p.A. is not subject to any management and coordination activity (as per articles 2497 and followings of the Italian Civil Code) neither by the direct parent company, Leading Jewels S.A., which holds 56.18% of the Issuer's share capital, nor by the indirect parent company D. Holding S.A.; on the other hand the Issuer manages and coordinates its own subsidiaries.

Pursuant to the principles of corporate governance - as detailed below - any transactions of particular strategic, economic and financial relevance concerning the Damiani Group are subject to the examination and exclusive approval of the Issuer's Board of Directors which, as of 3 April 2009, includes 3 non-executive directors, two of whom are independent as per article 3 of the Corporate Governance Code.

The expertise and the reputation of the non-executive and independent directors and their significant relevance in the Board's decisions are deemed as further guarantees that all the decisions of the Board of Directors are taken in the interest of Damiani S.p.A. only, and that there are no directives or interferences by any third parties bearing interests different from those of the Group.

Please note that:

(A) Information required by article 123-bis, first paragraph, letter i), of the Consolidated Law on Finance (*“agreements between companies and directors, members of the control body or supervisory council which envisage indemnities in the event of resignation or dismissal without just cause, or if their employment contract should terminate as the result of a takeover bid”*) are described within the section of the Report on the remuneration of directors (paragraph 8).

(B) Information required by article 123-bis, first paragraph, letter l), of the Consolidated Law on Finance (*“rules applying to the appointment and replacement of directors and members of the control body or supervisory council, and to amendments to the articles of association if different from those applied as a supplementary measure”*) are described within the section of the Report on the Board of Directors (paragraph 4.1).

3. COMPLIANCE

The Company believes that conforming its internal Corporate Governance structures to those recommended by the Corporate Governance Code is an efficient and important opportunity to consolidate its reliability before the market.

Therefore, as already explained in the last annual Report, on 27 June 2007 the Board of Directors passed a frame-resolution that, together with other resolutions, was meant to implement the self-discipline principles of the Corporate Governance Code as shown in detail below; such resolutions have been further implemented also during the fiscal year ended on 31 March 2010.

Before describing the structure of the Issuer's Corporate Governance structure, please note that during the meeting of 10 February 2010 the Board of Directors of Damiani S.p.A. qualified Rocca S.p.A. and Damiani International B.V. as "subsidiary companies with strategic relevance"; according to the Board of Directors the Dutch nationality of Damiani International B.V. does not significantly affect the Issuer's structure of Corporate Governance.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE COMPANY'S BY-LAWS (as per article 123-bis, first paragraph, letter l) of the Consolidated Law on Finance).

As per article 147 *ter* of the Consolidated Law on Finance, the Company's By-laws of Damiani S.p.A. (article 16) provide that the members of the Board of Directors are to be appointed by means of a voting-list procedure, granting to the second-ranked list the appointment of one director (all the other members of the Board being taken from the first-ranked list).

Shareholders owning a participation at least equal to the percentage set forth by CONSOB - as provided for by the law and regulations - are entitled to present lists of candidates for the appointment of Directors. Furthermore, pursuant to the corporate governance principles the Company complies with, the candidates' *curricula* - including the statements and certificates provided by the law - must be registered at least fifteen days before the date of first call of the Shareholders' Meeting. By means of resolution no. 16872 of 21 April 2009, CONSOB fixed the relevant shareholding necessary in order to present minority lists in 2,5% of the company's share capital.

Any replacement of directors is regulated according to the provisions of law.

Any amendments of the Company's By-Laws will be implemented in compliance with the principles of law and regulations, taking into account the provisions of article 20 of the Company's By-Laws pursuant to which the Board of Directors is entitled to resolve upon the matters listed by article 2365, second paragraph, of the Italian Civil Code.

4.2 COMPOSITION (as per article 123-bis, first paragraph, letter d), of the Consolidated Law on Finance).

Before considering the composition of the managing body in office during the financial year ended on 31 March 2010, please note that the current Board of Directors was appointed by the Shareholders' Meeting of 3 April 2009, which also decided that the whole number of directors to be seven (7) and their office to end on the date of the Shareholders' Meeting called for the approval of the Financial Statement as on 31 March 2012.

As regards the appointment of the Board of Directors currently in office by the Shareholders' Meeting of 3 April 2009, please note that the Board of Directors was appointed on the basis

of two lists presented respectively by the majority Shareholder Leading Jewels S.A. and by the minority Shareholder DGPA S.G.R. S.p.A.

Six out of the seven member of the Board of Directors currently in office – namely, Guido Grassi Damiani, Giorgio Grassi Damiani, Silvia Grassi Damiani, Giancarlo Malerba, Stefano Graidì and Fabrizio Redaelli, (the latter having the independence requirements as per article 148, paragraph 3, of the Consolidated Law on Finance, as well as pursuant to article 3 of the Corporate Governance Code) – have been taken, with the favourable vote of 92,83% of the voting share capital, from the list presented by the Shareholder Leadin Jewels S.A., which included, in this order, Guido Grassi Damiani, Giorgio Grassi Damiani, Silvia Grassi Damiani, Fabrizio Redaelli, Giancarlo Malerba and Stefano Graidì.

One of the seven members of the Board of Directors currently in office – namely, Roberto Benaglia, having the independence requirements as per article 148, paragraph 3, of the Consolidated Law on Finance, as well as pursuant to article 3 of the Corporate Governance Code – has been taken from the list presented by the minority shareholder DGPA S.G.R. S.p.A., which only included Roberto Benaglia.

Please find below the personal and professional profile of each director currently in office, also in accordance with Article 144-*decies* of CONSOB Regulation No. 11971/99.

1) **GUIDO ROBERTO GRASSI DAMIANI**, President and Managing Director of the Company, joined the Company in 1994 and was entrusted both with the management of both the Italian sales network and marketing, introducing new strategies and contributing significantly to the development of the Group. He took the helm of Damiani Group in 1996. Graduated with honours in Sociology, he also holds a diploma in Gemmology from the International Gemmological Institute. Before joining the family business, he had a successful real estate career.

2) **GIORGIO ANDREA GRASSI DAMIANI**, Vice President, is entrusted with the purchase of raw materials, product development and business relations, as well as with the office of President and President of Damiani USA.

He joined the family business in 1990 immediately following to its graduation in a technical business high school. Within the Company he learned various profiles of the goldsmith art and got familiar in different business fields, especially focusing on the appraisal and acquisition of precious raw materials. Successively he was appointed Head of International

Distribution, gathering a wide knowledge on foreign markets. Afterwards he managed the Raw Material Purchasing, the Creation and the Product Development Areas, being at the same time the Art Director. On 1994 he won the Diamonds International Award.

3) **SILVIA MARIA GRASSI DAMIANI**, Vice President of Damiani Group entrusted with External Relations and Group Image, she held the role of Image and VIP Relations Manager, choosing many international celebrities as testimonials for the different trademarks. She won the Diamonds International Award in 1996. She also holds an MBA from IPSOA as well as a diploma in Gemmology from the International Gemmological Institute. She started her career in the family business in 1985, getting experienced in pearl purchasing and a long term experience in the creative department.

4) **STEFANO GRAIDI**, Executive Director of Damiani, entrusted with the supervision of the internal control system. Graduated in Political Economy at “Università Bocconi” of Milan. He is a Certified Public Accountant registered on the Roll of Accounting Auditors. He previously worked for Pirelli Group in various positions of responsibility in International Taxation before becoming Director of both Taxation and Operational Sectors. In addition, he gained significant experience in Switzerland in the areas of finance and administration of the listed company Pirelli International. He played an active role in both the restructuring of the tyre sector as well as in the listing of Tyre Holding on the Amsterdam Stock Exchange. A publicist and lecturer, he is currently a partner of Tax Advisors S.A. of Lugano.

5) **GIANCARLO MALERBA**, Non-Executive Director and President of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee, holds a degree in Business Management at “Università Bocconi” of Milan. He started his career in 1986 in KPMG, where he played a managerial role in the banking and financial sectors. Certified Public Accountant, he is registered on the Roll of Accounting Auditors and is partner of Biscozzi Nobili Law Firm. He is an expert in the civil and tax law aspects of consolidated financial statements and he has frequently published articles in magazines and journals on taxation and financial reportings.

6) **ROBERTA BENAGLIA**, Non-Executive and Independent Director, member of the Internal Control and Corporate Governance Committee and of the Remuneration Committee. Graduated in Management Engineering at “Politecnico” of Milan. On 1999 she started

working in the listing department of Borsa Italiana S.p.A.. Starting from 2001 she has cooperated with the advisory company Onetone Consulting in favour of Venture Capital Onetone, and held the office of Sole Director of Action Management Consulting, a company specialized in M&A and Financial Advisory. Starting from 2005 she has held the office of Managing Director of DGPA SGR S.p.A., a company of management of private equity funds, active in the study evaluation and selection of investments, business & financial due diligence, structuring, negotiation and completion of investment transactions.

7) **FABRIZIO REDAELLI**, Non-Executive and Independent Director, was appointed as Lead Independent Director by the Board of Directors initially on 12 September 2007 and successively on 3 April 2009. He is also a member of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee. He graduated in Business Management at Università Bocconi of Milan and is Certified Public Accountant also registered on the Roll of Accounting Auditors. He runs his own accounting firm, Studio Redadelli & Associati, in Milan and is also Senior Professor of Real Estate and Business Finance at the School of Business Management at “Università Bocconi” at Milan.

The existence of the abovementioned executive/non-executive as well as independent/non-independent requirements of the Directors of the Company was assessed by the Board of the Directors pursuant the criterion set forth by Articles 2 and 3 of the Corporate Governance Code of 14 March 2006 and finally during the Board Meeting of 11 June 2010; the Board of Auditors acknowledged the application of said criterion. In order to properly apply the principles of corporate governance, on 10 February 2010 the Board identified Rocca S.p.A. and Damiani International B. V. as “companies of strategic relevance” for Gruppo Damiani S.p.A..

The composition of the Board of Directors of the Company and relevant information for each Director holding the office as on the date of approval of this Report are included in Schedule 2, attached hereto sub “A”.

As on the date of drafting of the present Report, Gabriella Colombo Damiani holds the title of Honorary Chairman. Said honorary position does not have an expiration date; since 1 October 2007 Mrs. Colombo Damiani has not received any remuneration for such position.

MAXIMUM NUMBER OF OFFICES HELD IN OTHER COMPANIES

In relation to criterion 1.C.3. of the Corporate Governance Code, please note that on the date of approval of this Report, the Board has deemed it unnecessary and inappropriate to adopt general criterion in order to determine the maximum number of offices of director and auditor that the directors of the company are allowed to hold, at the same time, in other listed companies as well as in financial, banking and insurance companies or in other companies of a relevant size; on the other hand the Board decided to assess on a case by case basis the peculiarities of each Director (experience, kind of offices held, etc.) and to decide on the basis of same whether the offices held are compatible with the office of Director of the Issuer.

The Board - finally during its meeting of 11 June 2010 - examined on a case by case basis and in relation to the characteristics of the each Director (*i.e.* experience, offices, etc.) the compatibility of the offices held in other companies with the office of member of the Board of Directors.

4.3 ROLE OF THE BOARD OF DIRECTORS (as per article 123-bis, first paragraph, letter d), of the Consolidated Law on Finance)

As already described in the Yearly Corporate Governance Report of the previous financial years, the Board of Directors of Damiani S.p.A. plays a central role in deciding the strategic targets of the Issuer and of the Group.

During the financial year ended on 31 March 2010, the current Board of Directors met 9 (nine) times, whilst during the current financial year the Board of Directors is supposed to meet 4 (four) times; as on today the Board met 2 (two) times, including the meeting of approval of this Report.

Each meeting of the Board lasts about an hour and ten minutes.

The directors have attended regularly and, in fact, the overall attendance of the meetings is 98%, whilst the attendance by independent directors is 100%.

According to the Law and to the Company's By-Laws, the Board is granted with all the powers of ordinary and extraordinary administration, being entitled to make any act that the Law and the Company's By-Laws do not specifically reserve to the Shareholders' Meeting.

Article 20 of the Company's By-Laws grants the Board the powers to resolve upon the matters listed under article 2365, second paragraph, of the Italian Civil Code: therefore the Board is entitled to resolve upon mergers in cases described by article 2505 and 2505 *bis* of the Italian Civil Code, the opening and closing of branches, the appointment of directors with legal representation of the Company, the reduction of the share capital in case of

withdrawal by shareholders, the updating of the By-Laws following to any legislative amendments, as well as the transfer of the registered office within Italy.

Moreover, in relation to criterion 1.C.1. e 8.C.1 of the Code, the Board of Directors has decided to retain for its approval the following matters (in addition to those set forth by the law and the Company's By-laws):

- a) examination and approval of the strategic, industrial and financial plans of the Company and of the Group, as well as of the system of corporate governance of the Company and of the structure of the Group;
- b) the identification - subject to the determination of the relevant criterion - of the subsidiary companies with strategic relevance; the assessment of the adequacy of the organizational, administrative and general accounting structure of the Company and of its subsidiaries with strategic relevance (set by the Managing Directors), with particular attention to the internal control system and to the treatment of conflicts of interests;
- c) delegation and revocation of powers of the Managing Directors and of the Executive Committee, with definition of their limits and modalities of implementation; determination of the frequency of reporting by the Managing Directors to the Board on the activities performed in the exercise of the delegated powers, in any case to be not less than once every quarter;
- d) after having considered the proposals of the special committee and consulted with the Board of Statutory Auditors, decision on the remuneration of the Managing Directors and of other directors with specific tasks, as well as decision on the allocation of the total remuneration of the Board members in case the Shareholders' Meeting has not resolved upon this matter;
- e) evaluation of the general performance of the Company, taking into specific account the information received from the delegated bodies, and periodical comparison of the actual results with the plans;
- f) examination and approval of transactions having strategic relevance or economic, patrimonial and financial relevance for the Company, both when carried out by the Issuer and its subsidiaries, with particular attention to transactions in relation to which one or more directors holds a interest (also on behalf of third parties) and generally to transactions involving related parties. For this purpose the Board of Directors sets forth the general criteria to identify significant transactions;

g) evaluation – at least once a year – of the size, composition and functioning of the Board and of its committees, pointing out the types of professionals that would be appropriate to have in the Board, assessing the existence of executive/non-executive and independent/non-independent requirements pursuant to the Code;

h) appointment of a lead independent director, when deemed appropriate also in relation to the number of non-executive and independent directors, with the following tasks:

- coordination of the activities of the non-executive directors in order to maximize their contribution to the activities and works of the Board;

- cooperation with the President in order to ensure that all the directors are properly informed,

- convening meetings of the independent directors whenever deemed necessary in relation to his tasks and at least once a year;

i) specification - to be included in the Report on Corporate Governance and Ownership Structure - of any information on the implementation of article 1 of the Code and, specifically, on the number of meetings held during the financial year by the Board of Directors and by the Executive Committee, with evidence of the percentages of attendance of each director;

as well as, with the assistance of the Internal Control Committee:

l) definition of the guidelines for the internal control system, in order to properly identify, assess, manage and monitor the main risks of the Issuer and of its subsidiaries, also determining the criteria of compatibility between said risks and the correct and proper management of the Company;

m) identification of an executive director to be entrusted with the supervision of the functionality of the internal control system;

n) evaluation of the adequacy, effectiveness and functioning of the internal control system and approval of the Risk Management Policies of the Company and of the Group;

o) description – to be included in the Corporate Governance Report – of the essential elements of the internal control system, specifying the assessment of adequacy;

p) appointment, revocation and determination of the remuneration (to be consistent with the policy of the Company) of one or more persons in charge of the internal control, on proposal of the director in charge of supervising on the functionality of the internal control system and having considered the opinion of the Internal Control Committee.

With regard to article 1.C.1 of the Corporate Governance Code, the Board reiterated - also in its "Framework Resolution" approved on 27 June 2007 - the principle of reporting by the delegated bodies to the Board on the implementation of the delegated powers, at least quarterly and in compliance with the applicable provisions.

In order to implement the principles and authorities described above, the Board of Directors: (A) approved, on 27 June 2007, the "*Guidelines on transaction of particular relevance and with related parties of the Damiani Group*" ("*Guidelines*"), including specific criteria to identify transactions of "particular relevance" as well as those entered into with third or related parties, also through subsidiary companies, falling within the competencies of the Board (even when delegated); in particular:

- are to be considered as "*particularly relevant*", being therefore always subjected to the prior examination and approval of the Board, the following transactions, regardless of the counterparty:

- a) transactions that require the Company to make available to the public an information document drafted in accordance with the provisions of CONSOB;

- b) passive financial transactions (such as mortgages and loans, as well as collateral and personal guarantees issuing) for amounts higher than Euro 15,000,000.00 for each transaction;

- c) transactions of acquisition and disposal of trademarks;

- d) trademark licenses for amounts higher than Euro 10,000,000.00 for each transaction;

- e) transactions other than those listed under the previous points, whose value is higher than Euro 15,000,000.00 for each transaction.

- are to be qualified as "*particularly relevant transaction with related parties*" the transactions, also implemented through subsidiary companies, that:

- a) are "*particularly relevant*", pursuant to paragraph 2 above or that, in any case:

- b) are for an amount higher than Euro 5,000,000.00 for each transaction.

However, as an exception to provisions of letters a) and b) above, are not considered as "*particularly important*" and, therefore, are not necessarily subject to the prior examination and approval by the Board of Directors, the transactions with related parties that are typical or usual or at standard conditions.

Transactions are typical or usual when, because of their object, nature, characteristics and conditions are part of the Company's normal business, as well as when do not contain any particular elements of criticality as to their features or to the risks related to the nature of the

counterparty at the time when they take place: are normally included in said category the transactions between companies of the Damiani Group as long as they are carried out according to the normal arm's length market values.

Transaction are at standard conditions when are agreed at the same conditions as with any counterparty whatsoever.

The relevant definition of "*related parties*" is the one provided by the regulations applicable at the time when each operation is approved; at the time of approval of this document the relevant definition is the one provided by IAS 24 adopted by means of the EEC Regulation 1725/2003 and subsequent amendments and additions.

The Board of Directors has always been promptly updated on the transactions with related parties, also pursuant to article 22 of the By-laws and article 150 of the Legislative Decree no. 58/1998.

With specific reference to transactions with related parties, please note that during the financial year ended on 31 March 2010 the Group entered into transactions with related parties both included and not-included in the consolidation area.

During financial year ended on 31 March 2010 the relations with related parties within the consolidation area were of commercial nature mainly, consisting of sales of jewellery or raw materials, and took place in the context of normal inter-company operations carried out at normal arm's length market conditions, or concerned real estate transactions.

Relations with related parties outside the consolidation area – and namely with Immobiliare Miralto S.r.l. – have been of non-commercial nature only and concerned real estate rental agreements only.

Relations with related parties were examined and analyzed by the Internal Control Manager who, carrying out his functions, controlled that the same transactions took place at normal arm's length market conditions.

Moreover, the Board of Directors:

(B) assessed the adequacy of the organizational, administrative and accounting structure (i) of the subsidiaries having strategic relevance, during the meeting of 11 June 2010 and (ii) of the Issuer, during the meeting of 11 June 2010 convened for the approval of both the financial report as to 31 March 2009 and the draft financial statement as to 31 March 2009. More specifically, the assessment was made with the support of the Internal Control Committee that, in the context of its own meetings and with the participation of the Internal

Control Manager, has been able to continuously check the functioning of the Internal Control System of both the Issuer and the other companies of the Group, with particular reference to the companies with strategic relevance. With specific regard to said companies, please note that, during the meetings of 27 June 2007 and finally 10 February 2010, the Board of Directors of the parent company Damiani S.p.A. resolved to identify the “subsidiary companies having strategic relevance” taking into account the following criteria (listed in the “*Guidelines of the Internal Control System of the Group*”):

- (i) the relevance and complexity of the functions of the subsidiary within the Group;
- (ii) the strategic relevance of the subsidiary within the market;
- (iii) the turnover of the subsidiary;
- (iv) the value of its assets;
- (v) the presence of an articulated organizational structure, with a significant presence of managers (other than directors) granted with management autonomy.

From the combination of the abovementioned criteria, during the meetings of 27 June 2007 and 13 June 2008, Damiani International B.V., a company incorporated under Dutch Law, was identified as a subsidiary company of Damiani S.p.A. having strategic relevance; during the meeting of 10 February 2010, the same qualification was also attributed to Rocca S.p.A. (a company entered into the Damiani Group in September 2008 following to the abovementioned acquisition of its entire share capital by the Issuer, information on which were already included in the Report on Corporate Governance of financial year ended on 31 March 2009 - available on www.damiani.com in the “*Investor Relations – Corporate Governance – Relazione di Governance*” section);

(C) on 3 April 2009, fixed the remuneration of directors entrusted with particular duties, based on the proposals of the Remuneration Committee and having considered the opinion of the Board of Statutory Auditors;

(D) on 11 June 2010, assessed the general trend of the management, based on the information received from the delegated bodies and compared the actual results with the plans;

(E) again on 11 June 2010, carried out the evaluation of the size, composition and functioning of the Board and of its committees - the so-called self assessment - acknowledging that the current Board consists of 7 directors, 3 of which are non-executive and 2 independent according to the criteria set by the Corporate Governance Code. The assessment, based on a

report by the Internal Control Committee, confirmed the wide range of professional skills existing within the Board and, specifically, the expertise in economics, accounting, legal and/or financial matters of the non-executive directors.

Also in observance of the Criterion 1.C.2. of the Corporate Governance Code, the offices of director or auditor that are held, as of the approval date of this Report, in other companies listed on regulated markets (also foreign) and in financial, banking and insurance companies or in companies of a relevant size by the current directors are shown below in the Schedule attached sub "C".

Please note that, during the meeting of 3 April 2009, the Shareholders' Meeting expressly authorized the appointed directors to hold offices and to carry out activities pursuant to article 2390 of Italian Civil Code. Pursuant to criterion 1.C.4 of the Corporate Governance Code, the Board is entrusted to assess each problematic position in relation to the above and to refer to the Shareholders' Meeting on the existence of the same; however please note that no problematic positions have been reported to the Board as on the date of approval of this Report.

4.4 DELEGATED BODIES

The current Board of Directors performs its functions directly and collegially, as well as through:

- its President, who has also been appointed Managing Director;
- two Vice-Presidents;
- one further Executive Director besides the President and Vice-Presidents.

At least quarterly, the Managing Director and the other Executive Directors:

- report to the Board of Directors on transactions realized by exercising their powers (both on ordinary, atypical and particular transactions, as well as in connection with transactions – other than relevant ones –with related parties);
- submit to the Board (for its approval) relevant transactions with related parties which, in accordance with the "Guidelines" approved by the Board of Directors on 27 June 2007, are reserved to the Board of Directors.

As mentioned above, in relation to Article 1.C.1 of the Corporate Governance Code, the Board has also formally confirmed (in its “Framework Resolution” approved on 27 June 2007) the principle that any bodies and officers granted with delegated powers must report to the Board - during the financial year the powers refer to - at least on a quarterly basis and in any case pursuant to the applicable law.

Before the meetings of 27 June 2007 and 3 April 2009, the Board of Directors appointed **the PRESIDENT, Mr Guido Grassi Damiani** also as Managing Director, confirming in favour of the same all the powers - including the powers to sign on behalf of and to represent the Company, pursuant to the Law and to the Company’s By-Laws *vis-à-vis* third parties and before any Courts - of ordinary and extraordinary management, with the exception of powers reserved to the Shareholders’ Meeting and to the Board of Directors by the Law or by the Company’s By-law or by the same Board of Directors pursuant to the principles of the Corporate Governance Code, together with the authority to appoint and revoke representatives and attorneys for single deeds or group of deeds, to take actions or judicial suite, also of annulment and before the Supreme Court, as well as to appoint lawyers and attorneys for disputes of any kind and degree of judgment.

During the same meetings the Board of Directors resolved the following:

- to entrust the **VICE-PRESIDENT, Mr Giorgio Grassi Damiani** with the disjoint powers relating to the purchase of raw materials, product development and commercial relationships, namely:

(i) full powers to supervise the activities of the Company’s department dealing with the purchase of raw materials, to be exercised with disjoint signature and without any restrictions as to the amounts involved (with the sole exception of the matters reserved by the Company’s By-Laws or by the Board itself to the competence of the Board of Directors, pursuant to the Corporate Governance Code for Listed Companies); such powers include, for instance (but not limited to) the authority to negotiate and purchase raw materials and components necessary for the production of jewellery, watches and precious items in general; and

(ii) any powers to carry out any activity necessary for the development of new products, with single and disjoint signature and no limits of value, with the exception of the matters reserved to the Board of Directors by the Company’s By-Laws or by the Board itself pursuant to the Corporate Governance Code;

(iii) any powers necessary in order to take care of and develop relationships with the clients and suppliers of the Group, and more generally to develop the Company's and the Damiani Group's market and commercial communication, supporting the devoted departments, with single and disjoint signature and no limits of value, with the exception of the matters reserved to the Board of Directors by the Company's By-laws or by the Board itself pursuant to the Corporate Governance Code;

- to entrust the other **VICE-PRESIDENT, MRS SILVIA GRASSI DAMIANI**, with the external relations and image care of the Damiani Group, granting her - with single and disjoint signature - all the powers necessary to:

(i) take care of the image of the Company's and Group's products vis-à-vis its clients and, more in general, the public, as well as to take care of the relationships with celebrities, members of the national and international "jet set" and personalities from the world of fashion and entertainment, even by organizing and promoting events;

(ii) take care of and develop relations with the press and media in general;

(iii) take care and develop relations with testimonials, promoting their fidelity to the Group's brands;

all the above with the support of and in coordination with the devoted Company's departments; all the abovementioned powers can be exercised by means of her disjoint and single signature and without any limit as to the amounts involved, and with the exception of those matters reserved to the Board of Directors by the Company's By-Laws or by the Board itself pursuant to the applicable principles (also of "Self-Discipline").

In relation to article 2 of the Corporate Governance Code, please note that the President of the Board of Directors, Guido Grassi Damiani, is the controlling shareholder of the Company as well as Chief Executive Officer and that therefore the Board of Directors has decided to adopt the suggestions concerning the appointment of a Lead Independent Director with the functions suggested by the Corporate Governance Code.

Furthermore please note that, in relation to principle 2.P.4 (suggestion to avoid concentration of more corporate offices in one person) and principle 2.P.5 (reasons for delegating executive powers to the President), the Board finally reconsidered this issue on 11 June 2010 and concluded that the governance of Damiani S.p.A is fully in line with its corporate interests, despite such concentration of offices, also considering that: (i) the President's position is not limited to institutional or representative functions, but it is fully operative and therefore essential to improve the performance of the Company; and (ii) executive powers have also

been delegated to other Directors, in addition to the President (with four Executive Directors appointed).

In compliance with Criterion 2.C.2 and with the suggestions included in the comment to Article 2 of the Corporate Governance Code, on 3 April 2009 the Board of Directors confirmed **Fabrizio Redaelli**, Independent Director, as “**Lead Independent Director**”, with the following functions:

- to coordinate the activities of the Non-Executive Directors in order to improve their contribution to the Board’s activities and functioning;
- to cooperate with the President to ensure that all Directors are promptly and fully informed;
- to convene meetings exclusively among Independent Directors whenever he deems it necessary and to ensure that the Independent Directors meet separately – *i.e.* without the other Directors - at least once a year.

In this regard please note that, on 28 January 2010, the Independent Directors holding the office during the financial year ended on 31 March 2010 met to review the state of implementation of the principles of corporate governance set forth by the Corporate Governance Code.

4.5 OTHER EXECUTIVE DIRECTORS

With regard to the current Directors, Guido Grassi Damiani, Giorgio Grassi Damiani, Silvia Grassi Damiani and Stefano Graidì are Executive directors, the latter continuing to be executive officer of Damiani International BV (subsidiary controlled by Damiani and having strategic relevance) and, starting from 7 August 2008, having assumed a further role of executive director in charge of the functionality of the internal control system.

4.6 INDEPENDENT DIRECTORS

As already mentioned, in its meeting of 3 April 2009 following to the appointment of the current directors and finally on 11 June 2010, the Board of Directors assessed the existence of the independence requirements as per article 147 *ter*, fourth paragraph, of the Consolidated Law on Finance and article 3 of the Corporate Governance Code, and ascertained the existence of said requirements with Roberta Benaglia and Fabrizio Redaelli.

Pursuant to the criterion 3.C.5 of the Corporate Governance Code, the Board of Statutory Auditors approved the criterion and procedures adopted by the Board of Directors in assessing the independence of directors.

Pursuant to criterion 3.C.6. of the Corporate Governance Code, on 28 January 2010 independent directors met, without the other directors, in order to examine the implementation of the corporate governance principles provided by the Corporate Governance Code, with particular attention to the adequacy of the information flows within the company, as well as in order to examine and discuss the second proposed regulation on transactions with related parties and role of the independent directors, issued by CONOSB on 3 August 2009. During the meeting the independent directors also examined the legislative decree no. 27/2010, implementing the EU Directive no. 2007/36/CE of 11 July 2007 on the rights of shareholders of listed companies and functioning of shareholders' meeting, and pointed out that such new rules require the amendment of the listed companies' by-laws, including Damini S.p.A.'s.

4.7 LEAD INDEPENDENT DIRECTOR

Considering that the President of the Board of Directors, Guido Grassi Damiani, is the main responsible for the management of the Issuer (CEO), as well as the controlling Shareholder, the Board of Directors deemed it appropriate to comply with the recommendation to appoint a lead independent director and grant to the same the function suggested by the Corporate Governance Code.

Pursuant to criterion 2.C.3 of the Corporate Governance Code as well as recommendation included in the comment to article 2 of the same Code, the Board appointed the (non-executive and) independent director Fabrizio Redaelli as "Lead Independent Director", granting the same the following functions:

- to coordinate the activities of the non-executive directors, particularly the independent ones, also in order to improve their contribution to the activity and functioning of the Board;
- to cooperate with the President in order that all the directors receive complete and prompt information;

- to call meetings reserved to independent directors any time it is deemed necessary for the best performance of its functions, ensuring that the independent directors meet, without any other director, at least once a year.

5. TREATMENT OF CORPORATE INFORMATION (ARTICLE 4 OF THE CODE)

The Corporate Governance Code requires Directors and members of the Board of Statutory Auditors to keep confidential all documents and information acquired while performing their office, and to comply with the procedures adopted by the Company for the internal treatment and external communication of such documents and information.

In compliance with said provisions and with those referred to under Articles 114, first a twelfth paragraphs, and 115*bis* of the (Italian) Consolidated Law on Finance, as well as by Articles 66 and followings and 152*bis* and followings of the Issuers Regulation, the Company adopted the *“Procedure for the treatment and disclosure of privileged information”* and on 12 September 2007 the *“Procedure for the constitution, maintenance and update of the Group Register of the subjects having access to Damiani SpA privileged information”*.

The registers of the Company and of its subsidiaries have been duly constituted.

In compliance with the provisions set forth by Article 114, seventh paragraph, of the (Italian) Consolidated Law on Finance and by Articles 152-*sexies* and followings of the Issuers Regulation, on 12 September 2007 the Board of Directors also resolved upon the adoption of the *“Procedure for identifying Relevant Persons and for the disclosure of transactions carried out by the same in Company’s shares or equity-related securities, both directly and through an intermediary”* (the *“INTERNAL DEALING PROCEDURE”*): such procedure identifies the so called *“Relevant Persons”* and focuses on how to inform CONSOB and the market of any transactions carried out by the same in the Company’s shares or equity-related securities. During the meeting of 12 June 2009, the Board of Directors entrusted the Internal Control and Corporate Governance Committee with the drafting and approval of a new version of the Internal Dealing Procedure, updated in order to comply with the amendments and integrations made by CONSOB to the Issuers Regulation by means of the resolution no. 16850 of 1 April 2009, with specific reference to the modalities of communication of said transactions.

Both versions of the Internal Dealing Procedure – as per article 2.2.3, third paragraph, letter p), of the Stock-Exchange Regulation – forbids *“Relevant Persons”* to deal in the Company’s shares or equity-related securities during the so-called *“blackout periods”*, *i.e.* during the 15 days immediately previous to the Board’s meetings convened to approve the draft annual

Financial Statement, the consolidated Financial Statement, the half-year or quarterly reports or some other determined reports or budgets.

The Internal Dealing Procedure in force during the financial year ended on 31 March 2010 came into force starting from the trading of the company's shares in the STAR segment of the electronic market (MTA) managed and organised by Borsa Italiana S.p.A..

6. INTERNAL COMMITTEES OF THE BOARD (AS PER ARTICLE 123-BIS, SECOND PARAGRAPH, LETTER D), OF THE CONSOLIDATED LAW ON FINANCE)

On 27 June 2007 the Board resolved upon the adoption of principles and criteria provided for by Article 5 of the Corporate Governance Code, and, accordingly, resolved upon the criteria of a “*Internal Control and Corporate Governance Committee*” as well as a “*Remuneration Committee*”, created and operating pursuant to the same Code. The working principles and criteria of the two Committees, both of which have been confirmed on 3 April 2009, are the followings:

- a) the Committees are composed of at least three members, all of them non-executive and the majority of which are independent; at least one member of Internal Control Committee has to be specialized in accounting and finance;
- b) the Board may subsequently resolve upon adding or varying the tasks of the Committees as hereinafter indicated;
- c) each meeting of the Committees must be entered in the minutes;
- d) while performing their activity, the Committees must have access to such information and Company’s offices as it is necessary in order to perform their functions; with the Board’s prior authorisation, they may also seek for the advice of external consultants;
- e) non-members may take part to the meetings of the Committee, on the Committee’s invitation and with limitation to specific items on the Agenda;
- f) resolutions of the Committees will only be valid if a majority of the Committee’s current members are present; decisions are taken by absolute majority of the present members and in the event of a tie the President has casting vote; meetings may also be held by videoconference or teleconference, provided that all the participants can be identified by the President and by the other participants, are able to follow and participate in real time to the discussion on the Agenda, and are able to receive and transmit documents; in such cases the Committee is regarded as been held in the place where the President is located;
- g) the Board’s annual Report on Corporate Governance must inform the market on the creation and composition of the Committees, the terms of their tasks and the activities actually carried out during the financial period, specifying the number of meetings held and each member’s percentage of attendance.

On 3 April 2009, following to the appointment of the new Directors resolved on the same date, the new Board confirmed the creation of the two Committees and appointed the new members of the Internal Control and Corporate Governance Committee as well as of the Remuneration Committee. As on the date of approval of this Report, the Board has not deemed necessary the creation of an Appointment Committee, considering the current ownership structure.

The principles of Corporate Governance implemented by Damiani S.p.A. by means of the Board resolution of 27 June 2007 require in any case:

- that the lists of candidates are registered at the Company's registered office not later than 15 days before the date of the Shareholders' Meeting convened to appoint Directors, together with sufficient details of each candidate's professional and personal qualifications, all the information required by the law or by the Company's By-Laws as well as confirmation that the candidate meets the independence criteria under Article 3 of the Corporate Governance Code (if this is the case);
- that the lists, together with the candidate details listed above, are published in due course on the Company's website.

In the light of the proposed amendments that are likely to be approved by the Shareholders' Meeting called for 21 July 2010 - and also considering the new regulation of implementation in Italy of the Directive 2007/36/CE (so called "Record Date" Directive) - said provisions are apparently outdated since the new regulation will require the deposit of the documentation necessary for the presentation of the lists, at least 25 days before the date of the Meeting.

7. REMUNERATION COMMITTEE

Pursuant to Article 23 of the Company's By-laws, the determination of the remuneration of the Directors for their participation to the meetings of the Company's Board is reserved to the competence of the Shareholders' Meeting. Pursuant to the same Article:

- the Board has the power to determine the remuneration of the Executive Directors - i.e. directors with specific duties as per Article 2389, third paragraph, of the Italian Civil Code - on the basis of the recommendations issued by the Remuneration Committee;
- the Board is authorized to approve particular payments to any Director at the end of his/her office period.

During its meeting held on 3 April 2009 and after having verified that the individuals concerned met the non-executive and independent requirements in accordance with the principles provided for by the Corporate Governance Code, the Board decided to set up for the three-year period 2009-2011 a Remuneration Committee composed of the following Non-Executive Directors (two of them being also Independent): Giancarlo Malerba (President), Roberta Benaglia and Fabrizio Redaelli. During that same meeting the Board of Directors also resolved - pursuant to article 7 of the Corporate Governance Code - to grant to the Remuneration Committee the tasks indicated by the Board of Directors frame resolution of 24 June 2007; in particular, the Remuneration Committee is entrusted with the following tasks:

- a) to make proposals to the Board concerning the remuneration of directors with delegated powers and of other directors with special tasks, in compliance with the relevant suggestions of the Corporate Governance Code, and to supervise the application of the Board resolutions;
- b) to annually review the criteria used for determining the remuneration of managers with strategic responsibilities, supervising the application of the same criteria on the basis of the information provided by the Executive Officers; as well as to give general recommendations to the Board on this matter.

Please note that, pursuant to criterion 7.C.4 of the Corporate Governance Code, even though there is no specific rule with this regard, no Director concerned by the relevant resolution attended the meetings of the Remuneration Committee dealing with the proposed remuneration of the same.

During the financial year ended on 31 March 2010, the Committee met four times, whilst during the current financial year the Board of Directors is supposed to meet 2 (two) times (one of which already took place as on the date of approval of this Report). Meetings during financial year ended on 31 March 2010 had an average duration of 35 minutes and its members have attended regularly and, in fact, the overall attendance of the meetings is 98%, whilst the attendance of each member is specified in Schedule 2 attached hereto sub "A".

During said meetings the Committee examined the remuneration of directors entrusted with particular offices in order to submit the relevant proposals to the Board of Directors (see meeting of 3 April 2009); upon report of the Company's Direction, the Committee also decided to submit to the Shareholders' Meeting the approval a "Stock Grant" Plan consisting of the free assignment of a maximum number of 1.000.000 Damiani shares to employees and certain directors of Damiani Group, in one or more tranches, within five years from the approval by the Shareholders' Meeting ("Stock Grant Plan 2009"); as well as the adoption of a sale plan of option on Damiani shares in favour of the Damiani Group Management, in one or more lots, within five years from the approval by the Shareholders' Meeting ("Stock Option Plan 2009" - see meeting of 12 June 2009). Following to the Shareholders' Meeting authorization, the Committee also assessed the proposal of implementation of the "Stock Option Plan 2009" and of the "Stock Grant Plan 2009" presented by the Company's Direction, and gave its positive opinion (see meetings of 7 and 24 September 2009).

In performing its functions, the Remuneration Committee has the faculty to access all the necessary information and business functions, as well as to avail itself of external advisors, with the prior authorization of the Board of Directors. Please note that the Board has not allocated a specific budget in favour of the Remuneration Committee, and that the Company grants the Committee with the funds necessary from time to time for the performance of its functions.

8. REMUNERATION OF DIRECTORS

It was assessed that the remuneration of Directors is sufficient in order to attract and motivate directors having the professional standing required to manage the Company successfully.

With regard to principle 7.P.2 of the Corporate Governance Code, please note that all the remunerations in favour of the Directors currently in office are fixed.

As to the incentive plans based on shares in favour of the executive directors and managers with strategic functions, please note that among the beneficiaries of all the three incentive plans under performance as on the date of approval of this Report, as indicated above (“Stock-Option Plan of Gruppo Damiani S.p.A. 2007/2010 for the granting of option on a maximum number of 1.600.000 ordinary shares”, “Stock Grant Plan 2009” and “Stock Option Plan 2009”), are also included some managers of the Company with strategic functions (together with the executive director Stefano Graidì).

Pursuant to criterion 7.C.2 of the Corporate Governance Code, the remuneration of non-executive directors is proportioned to the required activity of each of them, also considering the participation to Committees, and is not linked to the economic results of the Company; moreover, non-executive directors are not beneficiaries of any incentive plan based on shares.

INDEMNITIES IN FAVOUR OF DIRECTORS IN CASE OF THEIR RESIGNATION, REVOCATION OR TERMINATION OF THE EMPLOYMENT AGREEMENT, ALSO AS A RESULT OF A TAKEOVER BID (as per article 123 *bis*, first paragraph, letter i), of the Consolidated Law on Finance).

As on the date of this Report no agreements have been entered into between the Issuer and its Directors granting the latter any indemnity in the event of resignation or termination of the employment relation without just cause. Furthermore, no provisions referring to cases of termination of the employment relation as a result of a takeover bid have been agreed.

9. INTERNAL CONTROL AND CORPORATE GOVERNANCE COMMITTEE

The Internal Control and Corporate Governance Committee currently holding the office was appointed – following to assessment of the non-executive and independence requirements pursuant to the law and to the criterion of article 3 of the Corporate Governance Code – by the Board of Directors on 3 April 2009 with immediate effect, and is composed by the following directors:

- Giancarlo Malerba – President – (Non-Executive Director);
- Fabrizio Redaelli – (Independent Director and Lead Independent Director);
- Roberta Benaglia – (Independent Director).

During the financial period ended on 31 March 2010 the Committee met 5 (five) times, and 6 (six) more meetings are planned for the current fiscal year (3 of which already took place as on the date of approval of this Report). The meetings of the Committee held on the financial year ended on 31 March 2010 had an average duration of 1:17 hours and were regularly attended by its members (the overall percentage of attendance was 98%, and the one of the independent members 90%; the percentage of attendance of each member is indicated in Schedule 2 attached sub “A”).

Besides the President of the Statutory Auditors (or the other Statutory Auditor chosen by the latter), on invitation of the President and for specific items of the Agenda, the Head of Internal Control, the Executive-Director in charge of the functionality of the internal control system as well as the Manager in charge of preparing the Company’s financial reports and some other managers of the Company participated to the meetings.

The meetings of the Committee were duly recorded into the Committee Book of the Minutes.

The professional experiences of the current Directors ensure the Committee a sufficient expertise in accounting and finance. The following functions of advice and proposal have been assigned to the Committee by the Board on 27 June 2007 and finally on 3 April 2009 (they are identical to those listed in the Corporate Governance Code with the exception of criterion 8.C.3 (d) and (e)):

- a) to assist the Board with the tasks indicated in criterion 8.C.1. of the Corporate Governance Code;

- b) to assess, together with the Manager in charge of preparing the Company's financial reports and the auditors, the proper application of the accounting standards and their uniform application in drawing up the Consolidated Financial Statements;
- c) on request of the Executive Director in charge, to release opinions on the main risks existing within the Company, as well as on the project, implementation and management of the Internal Control System;
- d) to examine the schedule of work and periodic reports drafted by the Head of the Internal Control;
- e) to report to the Board on its activities and on the adequacy of the internal control system, periodically and at least every six months (at the approval of the Financial Statement and of the Half-Year interim Reports).

It was deemed not appropriate to grant the Committee the task to "*supervise the efficacy of the auditing process*"; on the basis of the implementing provisions of Directive 2006/43/CE on auditing, "Guiding Principles" entrust the Board of Statutory Auditors with this task.

Please note that "Guidelines of the Internal Control system of Damiani S.p.A. Group" ("Guidelines") - approved by the Board of Directors on 27 June 2007 - has been integrated and amended by the Board of Directors in its meeting of 11 June 2010 also in order to strengthen and optimize the internal controls system of the Company and of the Group.

With reference to the single functions entrusted, please note that during financial year ended on 31 March 2010 the Internal Control and Corporate Governance Committee has *inter alia*:

- examined the periodical reports prepared by the Head of Internal Control, in order to constantly monitor the suitability of the internal control system and to intervene, where necessary, in order to fulfil any lack;
- examined together with the auditing company the proper use of the accounting standards and their homogenous application in view of the drafting of the consolidated financial statement.

Lastly, on 11 June 2010 the President of the Internal Control and Corporate Governance Committee provided the Board of Directors with a summary of the activities carried out by the Committee and, also on the basis of the work performed by the Person responsible for Internal Control, expressed to the Board of Directors its assessment on the overall adequacy, effectiveness and efficiency of the Internal Control System.

In accordance with the Criterion 5.C.1), letter *e*), of the Code, the Committee has access to any information and Company's officers, necessary for carrying out its functions and can also seek the advice of external consultants, within the limits approved by the Board. Please note that the Board has not allocated a specific budget in favour of the Committee, and that the Company grants the Committee with the funds necessary from time to time for the performance of its functions.

10. THE INTERNAL CONTROL SYSTEM

As indicated in the Report of last year (available on the website www.damiani.com, in the section “*Investor Relations – Corporate Governance – Relazione di Governance*”), on proposal of the Executive Director in charge of supervising the Internal Control System and with the assistance of the Internal Control and Corporate Governance Committee, on 13 June 2008 the Board of Directors approved the guiding principles of the Internal Control System (“the Guiding Principles”), as integrated and amended by the Board of Directors on 11 June 2010, the purpose of which is to strengthen and optimize the internal control systems of both the Company and the Damiani Group as a whole, with particular reference to subsidiaries that qualifies as “strategically relevant” pursuant to Article 1 of the Corporate Governance Code.

The new “Guiding Principles” set forth, inter alia, the powers and tasks of the **Executive Director in charge of supervising the internal control system** (as described in the following paragraph 10.1).

The same “Guiding Principles” entrust the Board of Directors with final responsibility for the adequacy of the Internal Control system, and set forth in detail the relevant tasks.

In relation to article 8 of the Corporate Governance Code, at its meeting of 27 June 2007 the Company’s Board of Directors entrusted the Board of Statutory Auditors with the evaluation of the offers received from the auditing companies, as well as the audit-plans and the results showed in their reports and in the letter of suggestions: the entrustment of the Board of Statutory Auditors seems to be consistent with the duty of the same body of recommending an auditing company to the General Meeting as well as with the recent amendments introduced by the Legislative Decree no. 39/2010 on accounting.

As anticipated above, it was deemed not appropriate to grant the Committee the task to “*supervise the efficacy of the auditing process*”; on the basis of the implementing provisions of Directive 2006/43/CE on auditing, “Guiding Principles” entrust the Board of Statutory Auditors with this task.

EXISTING SYSTEMS OF RISK MANAGEMENT AND INTERNAL CONTROL RELATED TO THE FINANCIAL INFORMATION PROCESS, ALSO CONSOLIDATED.

PREAMBLE

Pursuant to the principles included in the Format published by Borsa Italiana, the Damiani Group management and control system of the risks concerned by financial information is part of the Internal Controls System of Damiani S.p.A. and of the Group and is mainly composed of:

- the Ethical Code;
- the organization and control model pursuant to Legislative Decree no. 231/01;
- the procedure for the institution, management and updating the Group register of persons having access to privileged information of Damiani S.p.A. (“Internal Dealing Procedure”);
- procedures and principles for transactions with related parties;
- the system of powers and proxies;
- the organization chart;
- the procedure for the management and disclosure of privileged information;
- the accounting and management system, composed of a number of procedures and documents and instructions for the financial statement activity and reporting, as well as relevant timeframes.

The Board of Directors of Damiani S.p.A. has a central role for the coordination and direction of the Internal Control System, and sets the general guidelines of the organizational, management and accounting structures of the Issuer and of the other companies of the Group.

The Internal Control System on financial information is a set of activities aimed at identifying and assessing actions and/or events able to compromise the trustworthiness, accuracy, reliability and timeliness of the financial information. Therefore, the system adopted by Damiani S.p.A. and the Group has the purpose to assure the reliability of the financial information, according to the business model of the Group, of its structure (including the identification of the companies with strategic relevance), of the accounting principles and their evolution.

DESCRIPTION OF THE MAIN CHARACTERISTICS

The control system for financial information is based upon a risk assessment activity aimed at identifying and assessing the areas of risk where (as a consequence of the business model, corporate and organizational structure, supplying and distribution markets, applicable laws

and regulations) events might potentially compromise the reliability of the financial information.

By means of said activities companies with strategic relevance were identified on the basis of quantitative and qualitative parameters as well as of the main business processes that provides data for the individual and consolidated financial statements.

In such way a matrix of processes/entities have been identified to be submitted to the check and assessment by the existing Control System, with specific regard to the their typical risks concerning the preparation of the official and public financial information.

Specific items of the financial statements and business functions providing data for the same have been identified for each relevant company (whose control system is subject to specific evaluation and monitoring) in order to identify the specific controls to be implemented in order to ensure the typical targets that have to be pursued by Internal Control System for financial information.

ROLE AND FUNCTIONS INVOLVED

The management and control system of financial information is managed by the Manager in charge of preparing the Company's financial reports, appointed by the Board of Directors pursuant to the current Company's By-laws

In performing its activities the Manager:

- interacts with the Internal Audit, which carries out its independent checks on the functioning of the Internal Control System and support the Manager in its activities;
- is supported by the persons responsible for the business functions (in particular, by the managers) of the Group, which assure the completeness, reliability and timeliness of the information flows to the Manager, who coordinate their activity in the view of drafting the financial statement information;
- exchanges information with the Internal Control Committee and with the Board of Directors, reporting on the performed activity;
- periodically informs the Board of Statutory Auditors on the relevant events which might affect the financial information and the adequacy and reliability of the management-control system for the recording of the same.

The monitoring of the actual implementation of the risk management system of financial information is carried out on a continuous basis during the financial year by the Manager, who is responsible for the correct and prompt performance of the management activities for management, accounting and finance within the Group.

Inspections have shown no risks or situations other than those already monitored by the Company.

The Manager in charge of preparing the Company's financial reports, together with the President and CEO, issues the statement pursuant to article 154-*bis*, fifth paragraph, of the Consolidated Law on Finance.

Pursuant to the criterion 8.C.1, letter c), of the Corporate Governance Code, the Board assessed the adequacy of the general organizational, management and accounting system of the Issuer and of its subsidiaries with strategic relevance, during the meeting of 11 June 2010; in particular the assessment was based on the report of the executive director in charge of the functioning of the internal control system and with the support of the Internal Control Committee (which was able to continuously check the actual functioning of the Internal Control System of the Company and the Group, with specific reference to companies with strategic relevance, during its meetings – that were also attended by the Directors in charge of supervising the Internal Control System, see 10.1 below).

10.1 EXECUTIVE DIRECTOR IN CHARGE OF SUPERVISING THE INTERNAL CONTROL SYSTEM

In accordance with criterion 8.C.1)(b) of the Corporate Governance Code, the new “Guiding Principles” *inter alia* provide for the following functions of the **Executive Director in charge of supervising the Internal Control System**:

- a) to take care of the identification of the main corporate risks, taking into account the characteristics of the business carried out by the Company and its subsidiaries, with particular attention to the companies with strategic relevance, and to submit such principles to the Board of Directors as well as to the Internal Control and Corporate Governance Committee at least once a year and normally at the meeting of the Board of Directors called to approve the draft individual and consolidated financial statements;
- b) to structure, implement and manage an Internal Control System able to monitor the corporate risks. In particular, the Executive Director:
 - identifies the risks for the Issuer and the other companies of Damiani Group, with particular attention to companies with strategic relevance – besides the responsibility of the CEO of the single companies – also considering the changes occurred to the internal and external conditions of work, as well as the management trends, the differences respect to the forecasts and the legal framework applicable from time to time;

- defines the tasks of the operative units in charge of the control, making sure that the activities are managed by qualified employees, with specific experience and knowledge – reducing the areas of potential clash of interests;
 - creates information channels in order to make sure that all the employees know the policies and procedures related to their tasks and responsibilities;
 - defines the information flows in order to assure the full knowledge and manageability of the corporate events; inter alia, the same makes sure that the Board of Directors is able to identify the strategic transactions of the Group – completed by the Issuer or by its subsidiaries – that are to be submitted to the managing body of the Parent company;
- c) at least once a year, and normally at the meeting of the board of Directors called for the approval of the draft financial statement – as well as any time it is deemed necessary or appropriate in relation to the circumstances (as in case of new relevant risks or relevant increase in the possibility of risk) – submits to the Board of Directors the corporate risks and the control systems adopted and planned for the prevention, reduction and management of the same, in order to let the Board of Directors to consciously resolve on the strategies and policies of management of the Issuer and of Gruppo Damiani S.p.A., with particular attention to the companies with strategic relevance;
- d) proposes to the Board of Directors the appointment, revocation and remuneration of the Person responsible for the Internal Control, and assures its independency and autonomy from any persons in charge of the operative management, granting the same sufficient means.

In its meeting of 3 April 2009 the Board of Directors confirmed Stefano Graidì as Executive Director in charge of supervising the Internal Control System (following to the appointment of 7 August 2008), granting the same all the functions and powers provided by the “Guiding Principles of the Internal Control System of the Damiani Group”, and namely:

- i)* to identify the main corporate risks (taking into account the characteristics of the activities carried out by the Company and its subsidiaries) and periodically submit such principles to the Board of Directors, as well as to the Internal Control and Corporate Governance Committee;
- ii)* to project, implement and manage the internal control system, constantly monitoring its overall adequacy, effectiveness and efficiency; to adapt such system to the operative and legal framework; to submit to the Board of Directors, if necessary, the update of the guiding principles of the Internal Control System of the Damiani Group;

iii) to propose to the Board of Directors (also informing the Internal Control and Corporate Governance Committee) the appointment, revocation and remuneration of the Persons in charge of the Internal Control of the Group.

(With regard to the latter function please note that, during the financial year ended on 31 March 2010, the Executive Director in charge of supervising the Internal Control System did not propose the appointment of new Persons in charge of the Internal Control, nor the revocation of the one currently in office).

10.2 PERSON RESPONSIBLE FOR THE INTERNAL CONTROL

On 12 September 2007, on the proposal of the Executive Director in charge of supervising the Internal Control System and on the basis of the favourable opinion of all the members of the Internal Control and Corporate Governance Committee, the Board of Directors appointed **Luana Carlotta Lanzi Puglia** as Company's "person responsible for internal control" with all the supervisory functions and duties provided for by the Corporate Governance Code and the Corporate Governance frame resolution adopted by the Board of Directors on 27 June 2007.

Pursuant to the new "Guiding Principles" the updated version of which was approved by the Board of Directors on 11 June 2010, the Person Responsible for the Internal Control:

- extends its control to all the companies of Gruppo Damiani S.p.A., with particular attention to the companies qualified by the Board of Directors as strategically relevant, and has access to all their activities and relevant documentation;
- in case of externalization of specific controls by the Company or other companies of the Group, the Person Responsible for Internal Control has access to the documentation provided by the entrusted persons;
- monitors the adequacy of the internal procedures, assures the restraint of the risks of the Issuer and the Damiani Group and assists the Group with the identification and assessment of the main risks;
- the tasks of the Person Responsible for Internal Control are performed by random sample controls of the procedures subject to control;
- the Person Responsible for the Internal Control:
 - a) presents the proposed annual work schedule to the Internal Control and Corporate Governance Committee in due time in order to allow the punctual performance of its functions and to formulate any recommendations deemed appropriate;

- b) assists the Executive Director in charge of supervising the Internal Control System in planning, managing and supervising the internal control system and the identification of the various risk factors;
- c) plans and carries out, in line with the annual work schedule, direct and specific controls of the various departments of the Company and of the other companies of the Group, with particular regard to subsidiaries of strategic relevance, in order to reveal any inadequacies in the internal control system in respect of the various areas of risk;
- d) checks that the rules and procedures of the control procedures are complied with and that all the subjects involved act accordingly to the targets. More in particular, the same:
- monitors the reliability of the information flows, also in relation to the survey systems;
 - checks, as part of that work schedule, that the procedures adopted by the Company and Group ensure that the applicable statutory and regulatory provisions are actually complied with;
- e) investigates on specific irregularities, either on its own initiative or on request of the Board of Directors, the Internal Control and Corporate Governance Committee, the Executive Director in charge of supervising the Internal Control System or the Board of Statutory Auditors;
- f) checks, in any way deemed appropriate, that any anomalies noticed during the inspections is corrected;
- g) keeps records of the activities carried out and makes such records available on request to the subjects in charge of the control procedures;
- h) refers on the results of the control activities in special "Audit Reports" to the Executive Director in charge of supervising the Internal Control System, to the Internal Control and Corporate Governance Committee and to the head of the department under inspection; in case of control of subsidiaries, the Audit Reports are copied to the relevant bodies of the Company concerned.

It is also entrusted with the task of identifying any inadequacies in the internal control system in the light of the results of the inspections and analysis of the corporate risk, and to recommend any measures to improve the same system; such inadequacies and the proposed remedies are to be included in the Control Reports;

- i) drafts, at least twice a year and in due course to enable the Internal Control and Corporate Governance Committee and the Board of Directors to carry out their respective tasks in preparation of the meetings held to approve the draft Financial Statements or the half-year interim reports, a summary of the main data relating to the last six months or the entire

financial year, as the case may be. The summary drafted for the meeting convened to approve the draft of Financial Statements shall also include an updated account on corporate risks pointed out during the year;

l) reports on its activities - providing copies of the Audit Reports referred to under paragraph (h) above - to the following bodies:

- the Executive Director in charge of supervising the Internal Control System and delegated bodies of any subsidiary which have been subject to the control activities;
- the Internal Control and Corporate Governance Committee, also attending its meetings when required by its members. The Internal Control and Corporate Governance Committee checks that reports are forwarded to all the members the Board of Directors in connection with the items on the Agenda; the Board of Statutory Auditors examines said Reports during the meetings of the Internal Control and Corporate Governance Committee;

m) in case of critical situations requiring a prompt action, promptly informs the Executive Director in charge of supervising the Internal Control System and the delegated bodies, as well as the Internal Control and Corporate Governance Committee and the Board of Statutory Auditors on the results of their activity.

During the financial year ended on 31 March 2010, the person responsible for internal control monitored the areas under its control according to the provisions of the Internal Audit Plans of the relevant periods, drafted by the same and presented to the Internal Control and Corporate Governance Committee during the meetings of 26 November 2009 18 November 2009.

In particular, the main activities carried out by the Person responsible for the Internal Control during the financial year ended on 31 March 2010 concerned:

(i) within the frame of the compliance with the provisions of Law no. 262/05 and Legislative Decree no. 231/01:

- the review of the corporate procedures of the Issuer and of the companies of the Group and, when necessary, their updating;
- the start of the updating of the organization and control models following to the new crimes included in the Legislative Decree no. 231/2001;

(ii) within the frame of the "Internal Audit":

- the monitoring and analysis of transaction with related parties, with particular attention to the non-commercial transactions (rentals);

- activities of compliance audit and operation audit in the companies of the Group, pursuant to the work plan approved by the Internal Control and Corporate Governance Committee;
- training activities on compliance in order to assure the understanding and correct implementation of the procedures by the corporate functions.

During financial year ended on 31 March 2010, the Person responsible for the Internal Control had access to any information needed for the proper performance of its duties, and reported to the Internal Control and Corporate Governance Committee and to the President of the Board of Statutory Auditors on its activities, as well as to the Executive Director in charge of supervising the Internal Control System.

Pursuant to criterion 8.C.7 and 8.C.8 of the Corporate Governance Code, the Person responsible for the Internal Control is the head of the Internal Audit function (which is not externalized) and is not subject to the hierarchy of any heads of the operative areas.

10.3 MODEL OF ORGANISATION PURSUANT TO LEGISLATIVE DECREE NO. 231/2001

In order to ensure that the Group's internal control systems complies with the provisions of Legislative Decree no. 231/2001 and in accordance with article 2.2.3 third paragraph, letter (j) of the Stock Exchange Regulation, on 27 March 2008 the Board of Directors approved the Model of Organisation, Management and Control as provided for by Article 6 of Legislative Decree no. 231/2001 (the "*Organisation Model*") and the Ethical Code.

The Organisation Model adopted by the Company provides as follows:

- one **General Section**, which introduces the model and set forth the rules concerning the governance, with particular reference to (i) the subjects concerned; (ii) the composition, role and powers of the Monitoring Body; (iii) the role of the Board of Directors; (iv) the reporting to the Monitoring Body (hereinafter "*MB*"); (v) the sanctions; (vi) divulgation of the Model among the subjects concerned and training.
 - six **Special Sections**, each one identifying and disciplining risky processes and the rules of conduct to be followed by the concerned subjects while carrying out the working activity.
- Pursuant to the Organisation Model, the followings are the crimes that could theoretically be relevant for the Issuer: (i) offences against Public Administration; (ii) corporate crimes; (iii) crimes and administrative offences on market abuse; (iv) transnational offences; (v) crimes on employment health and safety; (vi) money-laundering.

With regard to each area of risk the Special Section makes reference to specific Protocols governing the operational and monitoring procedure for managing the process with a view to the prevention of the “231 offences”.

A specific Monitoring Body, with full financial autonomy, is entrusted with the control of the functioning of the Model. The Monitoring Body holding the office during the financial year ended on 31 March 2010 – appointed by the Board of Directors on 27 March 2008 – is composed of the person responsible for internal control, Carlotta Lanzi Puglia, and by two external advisors, Luca Pecoraro and Francesco Satta.

The Monitoring Body has been granted with all the necessary powers in order to promptly and efficiently watch over the compliance with the Organisation Model approved by the Company, as well as in order to verify the adequacy of the same in order to promptly and efficiently prevent the criminal offences listed by the Legislative Decree no. 231/2001, with the possibility to make proposals to the Board of Directors for the updating and adjustment of the Organisation Model.

10.4 EXTERNAL AUDITING COMPANY

The Auditing Company entrusted with the external auditing of the accounts of Damiani S.p.A. and its subsidiaries is Reconta Ernst & Young S.p.A., with registered office in Rome, Via G.D. Romagnoli 18A, which is a firm of auditors registered under Article 161 of the (Italian) Consolidated Law on Finance (the “External Auditor”).

Pursuant to Article 159 of the (Italian) Consolidated Law on Finance, on 27 June 2007 the Shareholders’ Meeting of Damiani S.p.A. appointed said auditing company as External Auditor with duration of nine financial years, *i.e.* until the approval of the Financial Statements of the financial year ending on 31 March 2016.

10.5. MANAGER RESPONSIBLE FOR THE DRAWING-UP OF THE COMPANY’S FINANCIAL REPORTS

The Manager responsible for the drawing-up of the Company’s financial reports is Gilberto Frola, who was appointed by the Issuer’s Board of Directors during the meeting held on 12 September 2007 for an indefinite period of time, with effect from the date on which the shares of the Company were admitted to trading on the electronic market (MTA) of Borsa Italiana S.p.A..

Pursuant to Article 27 of the Company's By-laws said Manager has to be chosen by the Board of Directors with the previous opinion of the Board of Statutory Auditors, and his background must include at least a three-year experience as qualified accountant or business administrator in listed companies, or in companies whose capitalisation amounts to not less than 1 million Euro.

The Board of Directors granted the Manager, Dr Frola, all the necessary powers for the fulfilment of his duties under the law and By-laws, including the followings:

- to have direct access, without need of any further authorisation, to any information required to produce the accounts, under the duty (together with all his staff) to keep confidential all documents and details acquired in the course of his activities, in compliance with all relevant statutory and regulatory provisions in force from time to time;
- to use internal means of communication ensuring that the information transferred within the Group is accurate;
- to organize his own department in order for the latter to be adequate as to its human and technical resources (including equipment, software, etc.);
- to draft administrative and accounting procedures, with the assistance of the offices involved in the generation of the relevant information;
- to seek the advice of external consultants whenever required by particular needs;
- to establish reporting and notification procedures together with the other persons in charge of monitoring and auditing, so as to ensure a constantly updated mapping of risks and processes as well as adequate checks that the procedures themselves are working properly (External Auditor, person responsible for internal control, etc.);
- to make the expenses necessary to perform its duties and authorised by the Board of Directors, or by either the Internal Control and Corporate Governance Committee or the President, on Board's behalf, with a duty of yearly report to the Board.

11. DIRECTORS' INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Principle 9 of the Corporate Governance Code requires the Board to take all the necessary steps to ensure that transactions with related parties are carried out with transparency and in compliance with the principles of both formal and substantial correctness. A similar obligation is provided for by Article 2391-*bis* of the Italian Civil Code, pursuant to which the governing bodies of companies listed in stock-exchange must adopt proper rules and internal procedures in order to rule transactions with related parties (including those carried out through subsidiaries) so as to ensure transparency and accuracy of the same transactions, both from a formal and substantial point of view. Recently the regulation has been amended by the Public Authority: by means of resolution of 12 March 2010, no. 17221 CONSOB approved the new Regulation relating to transactions with related parties, which is currently under examination by the Board of Directors; with this respect, please note that Damiani S.p.A. has already started the activity of approval of the internal procedures relating to transactions with related parties, in order to comply with the new regulation within the terms set forth by the provisional rules of CONSOB resolution no. 17221 of 12 March 2010.

In accordance with the Code, as well as with the relevant provisions of the Civil Code, on 27 June 2007 the Board of Directors approved the "Damiani Group's Guidelines on Particularly Important Transactions and Transactions with Related Parties" ("the Guidelines"), which reserve to the competence of the Board of Directors all the "significant transactions" with any party as well as all the transactions with "related parties", including those carried out through subsidiaries, and specifies the rules for their approval and execution (the "Guidelines" are available on the website www.damiani.com, under the "Investor Relations" section).

During the financial year the Board has always been promptly and effectively informed about plans for important transactions with related parties, and approved such transactions after assessing their procedural and substantive accuracy.

With respect to the transactions examined during financial year ended on 31 March 2010, the Board judged them bearing at least the same economic benefit to the Damiani Group than would have been achieved if the transaction had been negotiated with external counterparties; moreover, the Board has always been duly notified in advance - as required

by the law - of any potential conflict of interests in any particular transaction. A summary of transactions with related parties can be found under paragraph 4.3 above.

12. APPOINTMENT OF STATUTORY AUDITORS

The appointment of Statutory Auditors and of the President of the Board of Statutory Auditors is one of the competences of the Shareholders' Meeting. The modalities of presentation of the lists with the proposals of appointment and voting are regulated by the Company's By-law.

Pursuant to Article 24 of the Company's By-Laws, the Board of Statutory Auditors includes three standing and two substitute members. Auditors hold the office for three financial years, ending on the day of the Shareholder's Meeting convened to approve the Financial Statement relating to the last of the three financial years, and can be re-elected.

The same article of the Company's By-Laws assures that the President of the Board of Statutory Auditors is appointed by the minority shareholders, from the list ranking second as to the number of votes.

Pursuant to principle 10.P.1 of the Code (which requires the Board of Statutory Auditors to be appointed according to a transparent procedure which guarantees, among other things, prompt information about the candidates' personal and professional qualifications), Article 24 of the Company's By-Laws provides for the standing and substitute members of the Board of Statutory Auditors to be appointed as follows:

- (a) Shareholders or groups of Shareholders holding at least the interest specified by CONSOB for the appointment of Directors, in accordance with the law and regulations - which, as on the date of approval of this Report is equal to 2,5% (CONSOB resolution no. 17280 of 20 April 2010) - are entitled to present a ranked and numbered list of candidates, by lodging the list at the Company's registered office no later than fifteen (15) days before the date set for the Shareholders' Meeting (first call). Each list must include the personal details required by the applicable statutory and regulatory provisions; lists not complying with the abovementioned provisions are disqualified;
- (b) no shareholder is entitled to present or vote in favour of more than one list, either indirectly or through a fiduciary; members belonging to the same group or being parties to a shareholders' agreement are entitled to present and vote for no more than one list, either indirectly or through a fiduciary;
- (c) no candidate can be included in more than one list, being otherwise ineligible; no person can be included in any lists of candidates in breach of the limitations on multiple-offices holding set by the applicable law and regulations;

(d) should only one list be presented within the deadline specified under (a) above, or every lists be presented by members which are to be considered as “related to each other” pursuant to the applicable laws and regulations, the deadline is postponed of five days and in such cases the holding’s thresholds required under (a) above are halved.

According to the same article of Damiani’s By-Laws, members of the Board of Statutory Auditors are elected as follows:

(i) two (2) standing members and one (1) substitute member of the Board of Statutory Auditors are drawn from the list with the highest number of votes, in the order in which they are ranked in that list;

(ii) the remaining standing and substitute members are drawn from the list with the second highest number of votes (provided that the same is not presented and voted by persons connected - even indirectly - with the members having presented or voted the winning list), again in the order in which they were ranked on the list.

The President of the Board of Statutory Auditors is the standing member drawn from the second list.

Should a member of the Board of Statutory Auditors need to be replaced, the replacing member shall be the substitute member taken from the same list as the member to be replaced.

If the member to be replaced is the President, the new President is the substitute member who has replaced the replaced auditor.

Any General Meeting convened to integrate the Board of Statutory Auditors pursuant to the law shall proceed in such a way as to respect the principle of representation of minorities.

The regulations set out above for the election of the Board of Statutory Auditors and appointment of its President shall not apply in case of presentation or voting of one list solely; in such cases the Shareholders’ Meeting shall resolve upon majority of votes.

13. STATUTORY AUDITORS (as per article 123-bis, second paragraph, letter d), of the Consolidated Law on Finance)

The Board of Statutory Auditors currently holding the office was appointed by the Shareholders' Meeting on 15 June 2007 for the duration of three financial years, *i.e.* until the date of the Shareholders' Meeting called to approve the financial statement as of 31 March 2010.

All the standing and substitute members of the current Board of Statutory Auditors have been appointed unanimously by the Shareholders' Meeting upon proposal of all the Shareholders.

Its current composition is described in Schedule 3, attached hereto sub "B".

During the financial year ended on 31 March 2010, the Board of Statutory Auditors holding the office met 10 times, 4 of which in conjunction with the Internal Control and Corporate Governance Committee; no. 10 meetings are planned for the current financial year, 3 of which have already been held (and 2 of which in conjunction with the Internal Control and Corporate Governance Committee). The meetings of the Board of Statutory Auditors held during financial year ended on 31 March 2010 had an average duration of 1:45 h. and registered the regular attendance of its members (the percentage of overall attendance is 98%, whilst the percentage of attendance of each member to the meetings held in the same period is specified in Schedule 3, attached hereto sub "B").

Since the end of the financial year to the date of approval of this Report no changes have affected the composition of the Board of Statutory Auditors. Personal and professional information on each Statutory Auditor are hereinafter specified:

GIANLUCA BOLELLI - PRESIDENT OF THE BOARD OF STATUTORY AUDITORS

Graduated in Economics at the Bocconi University in Milano. Registered with the Registries of Accountants and Auditors. He started his professional career as auditor with Deloitte and Touche and then as a consultant with KPMG. Since March 1986 he has been a self-employed accountant, being also a promoting partner of Bolelli, Sportelli, De Pietri, Tonelli Law Firm.

He is a member of the Scientific Committee of AIDAF and external professor at "Scuola di Direzione Aziendale (SDA)" of Bocconi University in Milan and at "Supsi" in Lugano.

SIMONE CAVALLI - STANDING AUDITOR

Graduated in Economics and registered with the Registry of Auditors. He started his professional career in Arthur Andersen in 1992, where he held several managerial roles. In 2004 he became a partner in the "Auditing, Analysis, Control and Companies Evaluation Firm" where he currently works as an accountant on yearly and consolidated financial statements, accounting and financial due diligence in view of acquisitions, on behalf of both corporate clients and Italian and international private equity firms.

FABIO MASSIMO MICALUDI - STANDING AUDITOR

Graduated in Economics at Bocconi University in Milan, specialised in administration and control. He is registered with the Registries of Accountants and Auditors. He started his professional career with Arthur Young & Company, now Ernst & Young. From 1990 to 1993 he worked as Administrative and Financial Director of the Editing Group Sugar - Messaggerie Musicali. From 1993 to 1997 he worked as Financial and Control Director of Dia Distribuzione S.p.A. - Group Promodes, currently Carrefour. Afterwards he started to practice as self-employed professional, starting the activity of Accountant in Milan in 1997, becoming a partner at the "Studio Commercialisti Associati" and later, in 2000, a promoting partner at Galli - Madau - Micaludi - Persano - Adorno - Villa Associated Accountants, specializing in corporate, tax and accounting issues connected to extraordinary transactions. Since 2008 he is member of the Finance and Control Commission of the Role of Accountants of Milan.

Pursuant to criterion 10.C.2 of the Code, the independence of the auditors is deemed to be guaranteed by the compliance with the applicable laws and regulations and with the Company's By-laws, and therefore the Company deemed not necessary to apply to the Statutory Auditors the independence criterion set forth by article 3 of the Corporate Governance Code.

For this reason in order to assess the permanence of the independence requirements during the office, the Company has considered the criterion provided by the law and by the Company's By-laws only.

Pursuant to criterion 10.C.4 of the Corporate Governance Code, the Statutory Auditor having, also on behalf of third parties, an interest in a specific transaction of the Issuer, has to promptly and exhaustively inform the other Auditors and the President of the Board of Directors about the nature, terms, origin and extent of the interest.

Pursuant to criterion 10.C.5 of the Corporate Governance Code, the Board of Statutory Auditors supervised the independence of the auditing company, by monitoring both the compliance with the applicable regulations and the nature and kind of services (other than auditing) performed by the same auditing company and its network in favour of the Issuer and its subsidiaries.

Finally, please note that within the frame of its activity, the Board of Statutory Auditors also coordinated with the Person in charge of the Internal Control - also responsible for the internal audit - and with the Internal Control and Corporate Governance Committee.

14. RELATIONS WITH SHAREHOLDERS

The Company believes that it is in its best interest—further than its duty towards the market—to establish a continuous dialogue with its shareholders, based on a mutual understanding of the reciprocal roles. This dialogue, however, needs to comply with external communication procedures on corporate documentation and information.

Pursuant to Article 2.2.3, paragraph 3, letter *i*), of the Regulatory Instructions of Borsa Italiana S.p.A., the Company has included within its staff a professionally-qualified Investor Relator in charge of taking care of the Company's relations with the professional investors and other shareholders. Our Investor Relations Office is run by Dr. Paola Burzi, who may be contacted by calling 02/46716340 or by emailing her at paolaburzi@damiani.it.

15. SHAREHOLDERS' MEETINGS (as per article 123-bis, second paragraph, letter c), of the Consolidated Law on Finance)

In compliance with Article 11 of the Corporate Governance Code, all the Directors take part to the Shareholders' Meetings.

Pursuant to article 10 of the Company's By-laws, the Shareholders' ordinary and extraordinary Meeting is called by means of notice published – within the terms set forth by the law and regulations – on the “Gazzetta Ufficiale della Repubblica Italiana” or alternatively on one of the following newspapers “Il Sole 24Ore”, “Repubblica”, “Il Corriere della Sera”, “Milano Finanza”. It is possible to indicate in the same notice the date of the second meeting; in case of extraordinary meeting, it is possible to indicate the date of a third meeting. The Shareholders' Meeting can be called and can be held also in a place different from the registered office, in Italy, in another country of the EU or in Switzerland.

Article 11 of the Company's By-laws provides that *“each shareholder – being entitled to take part to the meeting – can be represented by another person, also non-shareholder, by means of written proxy, with the modalities and within the limits set forth by the Law”*. As on the date of approval of this Report, the same article grant the right to take part to the meeting to all the shareholders in relation to which the communication of article 2370, second paragraph, Civil Code (certifying the number shares held) has been duly transmitted to the Company within the second working day prior to the meeting, and that holds the appropriate certification as on the date of the meeting.

The Company's By-laws do not dispose that the shares for which the abovementioned certification has been required are to be considered undisposable.

The Shareholders' Meeting is validly constituted and resolves, both in ordinary and extraordinary meeting, with the majorities set forth by the Law.

The Shareholders' Meeting resolves upon the matters falling within its authority pursuant to the applicable legislation, as the Company's By-laws do not provide for any further specific subjects. Please note that, pursuant to article 2365, second paragraph, of the Civil Code, the Company's By-laws grant the Board of Directors the authority to resolve upon mergers in the cases provided by articles 2505 and 2505bis of the Civil Code, the set up and suppression

of secondary offices, the reduction of the share capital following to withdrawal by Shareholders, the modification of the Company's By-laws after legislative rules, and the transfer of the seat within the national territory.

So far, the Company has not deemed it necessary to adopt a set of regulations for the Shareholders' Meetings.

Shareholders' Meetings also give the chance to inform the Shareholders in compliance with the rules on privileged information. In this view, the Board of Directors has always endeavoured to provide shareholders with adequate information in order to allow them to take decisions on the basis of sufficient information; with this respect the Board of Directors has always informed the Shareholders' Meeting on the activity carried out and planned for the future.

As to the criterion 11.C.6 of the Corporate Governance Code, please note that during financial year ended on 2010 the variation of the market capitalization of the shares of the Issuer has been in line with the market trends, and no material change in the ownership structure of the Company has been registered.

During the financial year ended on 31 March 2010, the Shareholders' Meeting was held two times.

16. CHANGES OCCURRED SINCE THE CLOSING DATE OF THE FINANCIAL YEAR.

Since the end of the financial year ending on 31 March 2010 to the date of approval of this Report, no changes affected the corporate governance structures of the Company.

Milan, 11 June 2010

The President of the Board of Directors
GUIDO GRASSI DAMIANI

SCHEDULE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES

Board of Directors											Internal Control Committee		Remun. Committee		Appointment Commit. (if any)		Executive Commit. (if any)		Other Commit. (if any)	
Office	Members	Holding the office since	Holding the office until	List (M/m) *	Exec.	Non-exec.	Indip. As per Code	Indip. As per TUF	(%) **	Number of other offices***	****	**	****	**	****	**	****	**	****	**
President and Managing Director	GUIDO GRASSI DAMIANI	03.04.2009	Approval of financial statements as on 31.03.2012	M	X	-	-	-	100	14	-	-	-	-	-	-	-	-	-	-
Vice-President	GIORGIO GRASSI DAMIANI	03.04.2009	Approval of financial statements as on 31.03.2012	M	X	-	-	-	100	13	-	-	-	-	-	-	-	-	-	-
Vice-President	SILVIA GRASSI DAMIANI	03.04.2009	Approval of financial statements as on 31.03.2012	M	X	-	-	-	100	3	-	-	-	-	-	-	-	-	-	-
Director	STEFANO GRAIDI	03.04.2009	Approval of financial statements as on 31.03.2012	M	X	-	-	-	90	14	-	-	-	-	-	-	-	-	-	-
Director	GIANCARLO MALERBA	03.04.2009	Approval of financial statements as on 31.03.2012	M	-	X	-	-	100	10	X	100	X	100	-	-	-	-	-	-
Director	ROBERTA BENAGLIA	03.04.2009	Approval of financial statements as on 31.03.2012	m	-	X	X	X	100	7	X	80	X	100	-	-	-	-	-	-
LID	FABRIZIO REDAELLI	03.04.2009	Approval of financial statements as on 31.03.2012	M	-	X	X	X	100	7	X	100	X	75	-	-	-	-	-	-
----- DIRECTORS TERMINATING THE OFFICE DURING THE FINANCIAL YEAR-----																				
-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Quorum required for the presentation of lists during the latest election: 2,5%																				
Number of meetings during last financial year:						BoD: 9			ICC:5			RC: 4								

NOTES

* This column indicates whether the director was taken from the majority list (M) or from the minority list (m).

** This column indicates the percentage of attendance of the director to the meetings of the Board and of the committees.

*** This column specifies the number of offices held in other listed companies, as well as in financial, banking, insurance and/or other large companies.

**** This column specifies whether the director takes part to the relevant committee.

SCHEDULE 3: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS

Board of Statutory Auditors							
Office	Member	Holding the office since	Holding the office until	List (M/m)*	Independence pursuant to the Code	** (%)	Number of other offices ***
President	BOLELLI GIANLUCA	15.06.2007	Approval of financial statements as on 31.03.2010	-	X	100	20
Standing Auditor	CAVALLI SIMONE	15.06.2007	Approval of financial statements as on 31.03.2010	-	X	100	20
Standing Auditor	FABIO MASSIMO MICALUDI	15.06.2007	Approval of financial statements as on 31.03.2010	-	X	90	16
Substitute Auditor	PIETRO SPORTELLI	15.06.2007	Approval of financial statements as on 31.03.2010	-	X	NA	
Substitute Auditor	PIETRO MICHELE VILLA	15.06.2007	Approval of financial statements as on 31.03.2010	-	X	NA	
Quorum required for the presentation of lists during the latest election: -							
Number of meetings during last financial year: 10							

NOTES

* The appointment of the current Board of Statutory Auditors was unanimously approved by the Shareholders' Meeting of Damiani S.p.A. (at the time Damiani S.p.A. was not listed);

** This column specifies the percentage of attendance of statutory auditors to the meetings of the Board of Statutory Auditors;

*** This column specifies the number of offices of statutory auditor or director held pursuant to article 148 *bis* of the Consolidated Law on Finance. The complete list of the offices is attached pursuant to article 144-*quinquiesdecies* of the CONSOB Issuers Regulation, to the report on the auditing activity drafted by the statutory auditors pursuant to article 153, first paragraph, of the Consolidate Law on Finance.

ATTACHMENT "C" TO THE YEARLY REPORT ON CORPORATE GOVERNANCE

List of offices held in other listed companies, as well as in financial, banking, insurance and/or other large companies, in addition to their activities within the Damiani Group, by the members of the Board of Directors of DAMIANI S.p.A holding the office as on the date of approval of this Report.

Director	Company	Title
<i>GUIDO GRASSI DAMIANI</i>	Alfieri & St. John S.p.A.	President of the Board of Directors and Managing Director
	New Mood S.P.A.	President of the Board of Directors and Managing Director
	Damiani Manufacturing S.r.l.	Director
	Laboratorio Damiani S.r.l.	President of the Board of Directors
	Damiani International BV	Director
	Damiani Japan KK	President of the Board of Directors and Managing Director
	Damiani USA Corp.	President of the Board of Directors
	Damiani Hong Kong	Director
	Damiani Service Unipessoal SA	Director
	D. Holding SA	Director
	Leading Jewels SA	Director
	Sparkling Investment SA	Director
	Rocca S.p.A.	President of the Board
	Courmayeur Rocca S.r.l.	President of the Board
	Immobiliare Miralto S.r.l.	Director
<i>GIORGIO GRASSI DAMIANI</i>	Alfieri & St. John S.p.A.	Director
	New Mood S.P.A.	Director
	Damiani Manufacturing S.r.l.	President of the Board of Directors
	Damiani Japan KK	Director
	Damiani USA Corp.	Director
	Immobiliare Miralto S.r.l.	President of the Board of Director and Managing Director
	Damiani International B.V.	Director
	D. Holding SA	Director
	Leading Jewels SA	Director
	Sparkling Investment SA	Director
	Damiani Service Unipessoal LDA	Director
	Damiani France S.A.	President of the Board of Directors
	Rocca S.p.A.	Vice-President of the Board of Directors
<i>SILVIA GRASSI DAMIANI</i>		

	D. Holding SA	Director
	Leading Jewels SA	Director
	Sparkling Investment SA	Director
STEFANO GRAIDI		
	Aprilia World Service BV, Netherlands	Director
	Carraro SA Lux	Legal Responsible CH
	Chiorino Group SA, Luxembourg	Director
	Chiorino Participations SA, Luxembourg	Director
	D. Holding SA	Director
	Damiani Japan KK	Director
	Gen Del SA Geneva, Switzerland	Director
	Giovanni Rana SA	Director
	Leading Jewels SA	Director
	Olivetti Engineering, Switzerland	Director
	Prada SA Lux	Legal Responsible CH
	Space SA	Director
	Sparkling Inv. SA	Director
GIANCARLO MALERBA		
	Atlas Copeo Finance S.r.l.	Standing Auditor
	Bolton Manitoba S.p.A.	Standing Auditor
	Collistar S.p.A.	Standing Auditor
	Cordifin S.p.A.	Standing Auditor
	De' Longhi Capital Services S.p.A.	Standing Auditor
	EEMS Italia S.p.A.	Director
	IBF S.p.A.	Standing Auditor
	Perini Navi Group S.p.A.	President of the Board of Statutory Auditors
	Rodacciai S.p.A.	President of the Board of Statutory Auditors
	Continuum S.r.l. in liquidation	Standing Auditor
FABRIZIO REDAELLI		
	Aedes S.p.A.	Director
	Caleffi S.p.A.	Standing Auditor
	Eagles Pictures S.p.A.	President of the Board of Statutory Auditors
	Kedrion S.p.A.	President of the Board of Statutory Auditors
	Prima TV S.p.A.	Standing Auditor
	The Walt Disney Company S.p.A.	Standing Auditor
	Tod's S.p.A.	Standing Auditor
ROBERTA BENAGLIA		
	DGPA SGR Spa	Managing Director
	Light Force Spa	Director

Viterie Italia Centrale Srl	Director
Kickoff Spa	Attorney/Director
Naturservice Srl	Director
Dipros Srl	Director
Vetereie Riunite Spa	Director