



ANNUAL CORPORATE GOVERNANCE REPORT 2005

In 2005, the corporate governance system of GEOX S.p.A. (the “Company”) came into line with the principles contained in the Self-Governance Code for Listed Companies prepared by the Committee for Corporate Governance of Listed Companies, reviewed in July 2002 and promoted by Borsa Italiana (the “Code”).

In compliance with section IA.2.14 of the Instructions for the Regulations of the markets organized and managed by Borsa Italiana and for the *Nuovo Mercato*, we intend to provide below comprehensive details of procedures used in implementing the corporate governance system and adherence to the Code, in accordance with the guidelines provided by Borsa Italiana in February 2003 and implemented and developed within the framework of the “Guide to compilation of the corporate governance report” issued by Assonime and Emittenti Titoli, after consultation with Borsa Italiana, in February 2004.

This report is based on the Articles of Association approved by the Extraordinary Shareholders’ Meeting of July 27, 2004 (the “Articles”), which came into force on December 1, 2004, the date on which Geox ordinary shares were listed on the Electronic Equity Market organized and managed by Borsa Italiana (“MTA”), and which was later modified on December 22, 2005.

The company undertakes to adjust its Articles to the “Dispositions for the protection of savings and the discipline of financial markets” (Law no. 262 of December 28, 2005) in accordance with the law.

Section I.

Brief description of the Geox S.p.A. corporate governance system

The company bodies of Geox S.p.A. are: the Shareholders’ Meeting, the Board of Directors: the Executive Committee, the Internal Audit Committee, the Remuneration Committee), and the Board of Statutory Auditors. The Committees represent an internal arrangement of the Board of Directors and have been set up with the aim of improving the Board’s functionality and strategic capacity. Moreover, an Ethics Committee composed of Mario Moretti Polegato, Joaquín Navarro-Valls and Umberto Paolucci is working in order to guide and promote the company’s ethical conduct and commitment.

In compliance with the recommendations of the Code, the Company is the subject which manages and coordinates the companies in the Geox S.p.A. Group, also in the field of governance, by recommending the adoption of specific regulations, all of which are published in the relative section of the company’s internet site www.geox.com.

The aim of the corporate governance system is that of ensuring the correct functioning of the Company and of the Group, in general, and also the validation on a global scale of the reliability of its products and, consequently, of its name.

The share capital amounts to Euro 25,884,400 and is divided into 258,844,000 shares, of which 70.989% are owned by L.I.R. S.r.l.



Section II.

Detailed description of the Geox S.p.A. corporate governance system and of the extent to which the provisions of the Code of Self-Governance for Listed Companies have been implemented.

1. BOARD OF DIRECTORS

1.1 Composition

Pursuant to article 15 of the Articles, the Company is run by a Board of Directors composed of a minimum of five and a maximum of nine Directors. The Directors may be re-elected.

As decided by the Shareholders' Meetings of October 20, 2004 and November 8, 2004, the Company is run by a Board of Directors composed of nine Directors, in office since December 1, 2004. On the basis of this decision, the Directors will remain in office for three years, until the Shareholders' Meeting for the approval of the financial statements as at December 31, 2006.

The Board of Directors is composed as follows:

- Mario Moretti Polegato, Chairman and legal representative of the Company, non-executive director, appointed on July 27, 2004;
- Diego Bolzonello; managing director and legal representative of the Company, executive director, appointed on July 27, 2004;
- Enrico Moretti Polegato; non-executive director, appointed on July 27, 2004;
- Francesco Gianni; independent non-executive director, appointed on October 20, 2004;
- Bruno Barel; independent non-executive director, appointed on October 20, 2004;
- Alessandro Antonio Giusti; independent non-executive director, appointed on October 20, 2004;
- Giuseppe Gravina; independent non-executive director, appointed on October 20, 2004;
- Renato Alberini, independent non-executive director, appointed on October 20, 2004;
- Umberto Paolucci, independent non-executive director, appointed on November 8, 2004.

The Company's Board of Directors is thus composed of nine directors, six of whom are independent. Independent directors are understood as being those who:

- do not have, directly or indirectly or on behalf of third parties, nor have recently had, any significant economic relations with the Company, with its subsidiaries, with the executive Directors or with the majority shareholder, such as may condition their independent judgment;
- do not possess, directly, indirectly or on behalf of third parties, stakes of such a size as to allow them to exercise control or significant influence over the Company, and are not involved in shareholders' agreements for control of the Company;
- are not closely related to executive Directors of the Company, or to persons who are in any of the aforementioned situations.

For the purposes of providing information regarding the director or statutory auditor positions held by the Directors in the companies mentioned in article 1.3 of the Code, it is hereby specified that:

- a) Alessandro Giusti holds (i) the position of statutory auditor of Planetnetwork S.p.A., parent company of Retelit S.p.A., a company listed on regulated markets, (ii) the position of member of the Statutory Board of Auditors of Firenze Fiera S.p.A., Cooperativa Agricola di Legnaia S.c.a.r.l., Cap Viaggi S.p.A., Fidicontrol S.p.A., GIDA - Gestione Impianti Depurazione Acque S.p.A., STB Società delle Terme and Benessere S.p.A., Filpucci S.p.A., Investex S.p.A., San Casciano S.p.A., and also (iii) the position of sole director of Perfect Immobiliare S.r.l.;

- b) Francesco Gianni holds (i) the position of director of SO.FIN.IND S.p.A., Cassa di Risparmio di Ravenna S.p.A., Sara Lee Branded Apparel Italia S.p.A. and Prada Holding N.V., (ii) the position of sole director of Full Services S.r.l., Outsourcing Network S.r.l., and also (iii) the position of chairman of the board of directors of Fideroutsourcing S.r.l., Fiderservizi S.r.l., "Outnet sistemi S.r.l (previously called Lan 2 Lan S.r.l.)" and Oppidum S.r.l.; and is also a member of the supervisory board of Harry's SCA;
- c) Bruno Barel holds the position of chairman of the board of directors of Numeria SGR S.p.A., and of member of the Board of Directors of IRCA S.p.A. and SIPA S.p.A. of the Zoppas Industries Group;
- d) Umberto Paolucci holds (i) the position of director of Aeffe S.p.A., Datalogic S.p.A. and Gidsi S.p.A., (ii) the position of Senior Chairman of the board of directors of Microsoft Europe Middle East Africa, (iii) the position of chairman of the board of directors of Microsoft Italia, and also the (iv) position of vice chairman of Microsoft Corporation.

During 2005, the Board, in accordance with the procedures provided for by the Articles, met nine times. All the directors took part in this meeting.

This year, the Board of Directors is expected to hold 8-10 meetings.

1.2 Role

The running of the company is the exclusive task of the Board of Directors, who perform all actions necessary for the actuation and achievement of the company purposes, with the sole exception of those tasks which must be performed by the Shareholders' Meeting in accordance with law and the Articles.

Pursuant to article 2365, paragraph 2, Italian Civil Code, the Board of Directors also has the task of: (a) deciding on mergers as provided for by articles 2505 and 2505-b Italian Civil Code; (b) establishing and closing branch offices; (c) reducing the share capital in the event of the withdrawal of a shareholder; (d) amending the Articles to ensure compliance with legislative measures; (e) transferring the company headquarters to another council district within Italy (article 15 of the Articles).

The issue of bonds is also the duty of the Board of Directors, with the exception of the issue of bonds convertible into Company shares or in any case backed by warrants for the underwriting of Company shares, which is decided on by the Extraordinary Shareholders' Meeting (article 8 of the Articles).

Pursuant to the Articles, the Board of Directors alone is entitled to make provisions regarding trademarks, patents and other intellectual property rights, for any reason and of any kind (article 17 of the Articles). Moreover, it is the exclusive duty of the Board of Directors, which is not subject to proxy, upon proposal of the Chairman of the Board of Directors, to take decisions regarding the strategic development and direction of company management, also on a long-term basis, and also regarding the annual industrial and economic-financial plan (budget) and long-term plans with relative investment plans (article 15 of the Articles).

Without prejudice to the tasks thus attributed which, as illustrated above, may not be delegated by law or by provision of the Articles, the Board of Directors, in compliance with the recommendations of paragraph 1 of the Code of Self-Governance for Listed Companies, has specified further matters over which it holds exclusive decisional power, considering the particular significance of the relative transactions.

In particular, the Board of Directors currently has exclusive decisional power regarding, amongst other matters:



- a) takeovers or sales, also by means of underwriting or assignment, of equity investments and/or companies and/or company branches, if the overall value of the individual transaction exceeds €10 (ten) million;
- b) the granting of loans, if the aggregate value for the year exceeds €5 (five) million;
- c) the granting of collateral and/or personal security, if the aggregate value for the year exceeds €5 (five) million;
- d) the issue of bonds or financial instruments, if the overall value of each individual issue exceeds €10 (ten) million;
- e) the obtaining of loans and/or other financial debt transactions, if the overall value of the individual transaction exceeds €40 (forty) million;
- f) transactions as set forth in the points (a), (c), (d) and (e) above with companies in the Group, if they should exceed 50% of the respective threshold levels set forth above, and the granting of loans to companies in the Group, if the aggregate value per year exceeds €2.5 (two point five) million for each company;
- g) all transactions with related parties outside the Group which are not typical or usual transactions to be dealt with according to standard conditions;
- h) verification of the adequacy of the organizational and overall administrative structure of the company and of the group as established by the managing directors;

Save the decisions made by the Managing Director and the Executive Committee, on the basis of the provisions and decisions referred to above and the powers delegated to it, the Board of Directors of Geox S.p.A., in particular: decides on the Company's strategic, industrial and financial plans (as recommended in subsection a), article 1.2 of the Code), on proxies to Directors (see subsection b), article 1.2 of the Code), on the remuneration of the Directors (see subsection c), article 1.2 of the Code); supervises management of the company (see subsection d), article 1.2 of the Code); examines and approves transactions of significant economic, property and financial importance, with particular reference to transactions with related parties (subsection e), article 1.2 of the Code); verifies the adequacy of the organizational and overall administrative structure of the company and of the group as established by the managing directors (subsection f), article 1.2 of the Code); reports to the shareholders at shareholders' meetings (subsection g), article 1.2 of the Code).

In line with the recommendations of art. 1 of the Code, the board of directors thus has a central role in the Company's Corporate Governance system.

The Board of Directors meets on a regular basis, organizing itself and working in such a way as to ensure the effective and efficient performance of its functions. In the period leading up to the board meetings, the company, in the person of the Chairman of the Board, provides Directors with the documentation necessary to ensure that they are adequately informed on the items on the agenda, in compliance with article 17 of the Articles.

The Chairman calls the Board meetings, also when this is requested in writing by at least two Directors or Statutory Auditors or by a Managing Director (art. 19 of the Articles).

For decisions to be deemed valid, the majority of the Directors in office must be present. The decisions of the Board of Directors are taken by absolute majority vote of the Directors present. In the case of a tied vote, the decision for which the Chairman voted prevails. For decisions regarding the provision of trademarks, patents and other intellectual property rights, for any reason and of any kind, the Board of Directors decides with the favorable vote of five sevenths of its members, rounded up to the next highest number (article 19 of the Articles).

1.3 Executive positions

a) Managing Director

Availing itself of its right as set forth in article 17 of the Articles, on October 20, 2004 the Board of Directors confirmed Mr. Diego Bolzonello in the position of Managing Director of the Company, originally given to him by the Board of Directors on August 9, 2004, revoked the powers delegated to him and conferred upon him a new proxy. The proxy conferred by the Board of Directors and in subsequent decisions on January 31, 2005 - February 28, 2005 - May 13, 2005 and October 17, 2005 currently covers the duties hereinafter illustrated in brief.

Within the limits of law and the Articles, in compliance with the duties performed exclusively the Shareholders' Meeting, the Board of Directors and the Executive Committee, in compliance with the limitations, the Board of Directors conferred upon the Managing Director the following powers of ordinary and extraordinary administration:

- (i) with complete decisional independence and responsibility, to supervise the production, technological, commercial and technical sectors, to coordinate all aspects of the Company's productive activity, within the limits of the pre-established production and expenditure programs, as well as to supervise and coordinate the Company's administrative and financial sector, establishing rules for its organization and functioning, moreover ensuring coordination with independent contractors;
- (ii) to ensure also by means of constant maintenance, repairs and replacements, that the systems with which the Company is equipped are entirely compliant with the provisions aimed at containing the emissions/introduction of smoke, gases, dusts, fumes, liquid and solid residues within the limits laid down by national legislation, so that these do not contribute to pollution of the atmosphere, soil and water and to do not exceed the limits of normal tolerability for those living nearby;
- (iii) to assume commitments in matters regarding company activity, in particular concluding contracts with customers, including franchising contracts, and with suppliers of products, raw materials and services; to sell Company products, drawing up the relative documents and also granting extensions of payment and discounts, negotiating prices and payment methods, provided that, as far as concerns contracts with suppliers, the overall sum does not exceed a €1,000,000 (one million) per individual contract;
- (iv) to enter into contracts regarding the purchase and sale of machinery, equipment, vehicles and other movables, also registered in Public Registers, drawing up the relative documents, negotiating the relative prices and payment methods, and granting extensions of payments and discounts, provided that the overall sum does not exceed € 500,000 (five hundred thousand) per individual contract;
- (v) to purchase the services of any type necessary for performance of the company activity, with express faculty to conclude the relative contracts, including contracts of insurance cover and/or to conclude work and/or consultancy contracts of any kind, to negotiate prices and payment methods, provided that the overall sum does not exceed € 500,000 (five hundred thousand) per individual contract;
- (vi) to conclude lease, *comodato* (gratuitous loan for use), hire and leasing contracts regarding movables and real estate necessary for the performance of the company



activity, provided that the overall value does not exceed € 500,000 (five hundred thousand) per individual contract;

- (vii) to open bank and postal current accounts in the name of the Company, both in national and foreign currency, arrange overdrafts, open safety deposit boxes, rent them and exercise any relative rights;
- (viii) to perform, with regard to Company commitments, the following transactions on the accounts of the Company, in Italy and abroad, up to the limit of € 3,000,000 (three million) per individual transaction:
 - to draw current-account checks also for use of overdrawn sums, within the limits of the overdrafts granted;
 - to draw giros;
 - to endorse current-account bank checks, postal orders or telegraphic orders and any other instrument of credit in favor of the Company, or banker's drafts in favor of third parties;
 - to make withdrawals ;
 - to issue letters of credit and provide for their payment.

As far as regards transfers of funds between banks, the aforementioned limit is raised to € 10,000,000, provided that the transactions are authorized by the additional signature of Diego Bolzonello and that of Mr. Luciano Santel or, alternatively, of Mr. Livio Libralesso. The aforementioned limit of € 3,000,000 (three million) regarding this subsection (viii) is not applied for the payment of duties, taxes and social security contributions owed by the company pursuant to current legislation;

- (ix) exclusively for the purposes of arranging cover for risks involved in exchange and/or interest rates, and only to the extent necessary for this, to purchase, sell and in general to perform any transaction involving foreign currency, and also to conclude and cancel contracts on interest rates and exchange rates. Such transactions must comply with current currency regulations, and with any further regulations which may be introduced in the future, and must not exceed the limit of € 5,000,000 (five million) per individual transaction;
- (x) to proceed with the recapitalization and financing of subsidiaries in the form considered most suitable, up to the limit of € 2,000,000 (two million) per individual transaction;
- (xi) to make deposits in current accounts, endorse for discount and for collection bank checks, postal orders, certificates of credit, bills of exchange and postal orders, payable by credit agencies, post and telegraph offices, and in general by any natural person or corporation; to endorse orders of payment, including orders from the Treasuries of the State, the Regions, the Provinces, the Municipal authorities and any State Banking Institution; to endorse bank drafts, issuing in each case the corresponding receipts;
- (xii) to conclude and cancel any other contract which seems useful or necessary for the pursuit of the company purpose, including licensing, agency, distribution, representation, intermediation and business procurement contracts and any other contracts which in any case regard distribution of the company's products, provided that the overall value and/or expenditure (even when the contracts are long-term) does not exceed € 250,000 (two hundred and fifty thousand) per individual contract;



- (xiii) to grant securities and/or sureties, collect the loaned sum, entirely or in part, and issue receipts for the same. These transactions may be performed up to a value of euro 250.000 (two hundred and fifty thousand) per individual transaction;
- (xiv) to take out bank and financial credit lines in general;
- (xv) to deal with relations with any public or governmental body, none excluded, including by way of example but not limitation, Chambers of Commerce, Business Registries and Public Register Offices, and draw up any relative documents, applications or receipts in the name of the Company;
- (xvi) to deal with the relations with any fiscal, customs, central government or local government office, also abroad, and to perform any transaction regarding taxes, duties and social security contributions; to contest registrations and inspections; to provide direct or indirect tax statements, including statements and any other requirements provided for by VAT legislation, certificates, forms and questionnaires; to present applications, complaints and claims, memorandums and documents before any office or Tax Court, to collect reimbursement and interest from tax collection agencies, issuing relative receipts in the name of the Company;
- (xvii) to take any action and deal with any matter in the field of social security, and to deal with the relations with social security, welfare and insurance institutions, providing for the requirements laid down by current labor legislation, especially as far as regards insurance, contributions, indemnities and taxes;
- (xviii) to deal with the relations with any authority, body, and institution which deals with labor matters, and with trade union organizations (both of employers and employees); to appear before industrial tribunals and conciliation and arbitration boards; to settle disputes, to perform any other act and to deal with any situation in the field of working relationships, which may be considered in the best interests of the Company;
- (xix) to deal with the relations with the postal Administration and with companies of rail, sea, air and land transport, draw up any document and application, receive recorded delivery and insured mail, packages and letters of any type, collect reimbursement and sums of any type, and issue receipts for the same;
- (xx) with regards to the matters listed in the points above from (i) to (xix), and within the respective limits provided for above, to represent the Company with regards to any third party, whether public and/or private, acting in the name of and on behalf of the Company, signing any document;
- (xxi) to sign correspondence and documents in general;
- (xxii) to represent the Company before every Judicial Authority of any order, degree and type of jurisdiction, in any disputes or proceedings of any kind, whether as plaintiff or defendant, and also before Tax Courts of every degree, with the power to appoint attorneys, proxies *ad lites* and *ad negotia*, referees or arbitrators, consultants or experts, withdrawing and/or replacing their appointments, in Italy and abroad, with the power to



elect domicile, settle disputes and make recourse to conciliation and in any case deal with related matters, and to sign any proxies necessary for such purposes;

- (xxiii) to issue protests and injunctions for non-payment, to proceed with preventive measures and execution proceedings, to withdraw them where necessary, to participate in bankruptcy proceedings, composition, receivership and apply for their declaration, to make and accept tenders of performance;
- (xxiv) to the exception of dealings with company middle management and executives, to perform, or delegate, any action regarding employees such as, by way of example but not limitation:
 - hiring employees of Geox S.p.A.;
 - transforming labor contracts (for example, from part-time to full-time, from temporary contract to permanent contract, etc.);
 - disciplinary warnings and measures;
 - disciplinary dismissals, for a justified and motivated reason;
 - promotions and various salary increases;
 - granting one-off bonuses and management-by-objective bonuses;
 - transferal of the office and contracts of transfer/mission abroad regarding employees;
 - contracts for collaboration on specific projects and relative variations.
- (xxv) to appoint, within the framework of the powers conferred above, proxies *ad acta* or general proxies, attributing relative powers to them, and to withdraw such appointments.

b) Executive Committee

Pursuant to a specific provision of the Board of Directors of October 20, 2004, the first Board Meeting held within the first week subsequent to the issue of the Company shares on the MTA (December 9, 2004), decided, without prejudice to the duties expressly given to the Managing Director and Special Proxies of the Company:

- (A) to set up a Executive Committee composed of 3 (three) members, namely Mr. Mario Moretti Polegato - who by virtue of being Chairman of the Board of Directors takes the position of Chairman of the Committee, as is specified in the working procedures set forth in the relative decision -, Enrico Moretti Polegato and Diego Bolzonello, conferring on this Committee the powers of ordinary and extraordinary administration of the Company, with the following exceptions:
 - (i) the duties specified in articles 2420-ter 2423, 2443, 2446, 2447, 2501-ter, 2506-bis Italian Civil Code; and
 - (ii) the matters reserved for the Board of Directors under the Articles – being, in particular: the provision, for any reason and of any kind, of trademarks, patents and other intellectual property rights of the Company; the development and direction of company strategy, also on a long-term basis; the annual industrial and economic-financial plan (budget); the long-term plans and relative investment plans; and
 - (iii) the further following matters, identified by and reserved for the Board of Directors, taking into consideration, as illustrated above, the recommendations of the Code of Self-Governance.

and additionally:

- (B) to establish that the activity of the Executive Committee will be regulated by the following particular provisions:
- (i) the Committee may meet, in Italy or abroad any time the Chairman of the committee considers it opportune, and will be called by telephone or e-mail, registered mail, fax or telegram with prior notice of at least 24 hours;
 - (ii) participation in Committee meetings may also take place using telecommunications (for example by teleconference and videoconference), according to procedures which allow all the participants to be identified and permit them all to follow the discussion and intervene in real time in discussion of the topics being dealt with. (When these requirements are satisfied, the meetings of the Committee are deemed held in the place in which the Chairman of the Executive Committee and the Secretary of the meeting are present);
 - (iii) the position of the Chairman of the Executive Committee is held by the Chairman of the Board of Directors, if the same has been elected from the members of the Executive Committee. Otherwise, the position of the Chairman of the Executive Committee is given to the most senior of the Directors elected in the Committee on which proxies have not been conferred;
 - (iv) the meetings of Executive Committee are chaired by the Chairman of the Executive Committee or, in the case of his absence, by another member of the Committee appointed by those present;
 - (v) the Secretary of the meetings of the Executive Committee is chosen by the person chairing the meeting of the Committee, and may also be a person who is not a member of the Executive Committee. It is highlighted that the person chairing the meeting may not also assume the position of Secretary;
 - (vi) decisions will be taken with the favorable vote of the majority of the members in office and, in the case of a tied vote, the vote of the Chairman of the Executive Committee will prevail;
 - (vii) the decisions must be recorded in the minutes signed by the person chairing the meeting and by the Secretary of said meeting;
 - (viii) in the event of one or more members of the Executive Committee ceasing to hold office, a meeting of the Board of Directors shall be called without delay to take suitable measures;
 - (ix) the members of the Company's Board of Statutory Auditors are invited to the meetings of the Executive Committee.

During the financial year 2005 the Executive Committee met fifteen times, in accordance with the aforementioned functioning procedures, deciding on the matters falling within its competence, and in particular on some financial, commercial and contractual transactions.

The Executive Committee and the Managing Directors report with all due haste and in any case, at least on a quarterly basis, both to the Board of Directors and to the Board of Statutory Auditors on the activity performed, the general progress of the company, its forecast development, and also on the most significant transactions, in terms of value and characteristics, performed by the Company and by its subsidiaries, on atypical or unusual transactions and on those with related parties. Moreover, the Directors report comprehensively and with all due haste and, in any case, at least on a quarterly basis, both to the Board of Directors, and to the Board of Statutory Auditors, on the activity performed, on the transactions of greatest economic, financial and property significance



performed by the Company and by its subsidiaries, as well as on transactions with related parties or in which they have an interest, either personally or on behalf of third parties. Lastly, the Directors report comprehensively and with all due haste both to the Board of Directors and to the Board of Statutory Auditors on the transactions influenced by any person who manages and coordinates Company activity (article 18 of the Articles).

1.4 Appointment and remuneration of the directors

The Company, in accordance with the law, has undertaken to amend its Articles of Association in order to comply with the “Provisions for the protection of savings and the discipline of financial markets” (Law no. 262 of December 28, 2005), and therefore, to introduce the list vote discipline to appoint the members of the Board of Directors; however to date the Directors are appointed for the first time in the articles of association and subsequently by the Ordinary Shareholders’ Meeting. Before proceeding with the appointment of the Directors, the Ordinary Shareholders’ Meeting establishes their number within the aforementioned limits as well as the duration of their office, which may not exceed three years. The Directors cease to hold office on the date of the Shareholders’ Meeting called for the approval of the financial statements regarding the last year of office. If during the course of office there should cease to be, for whatever reason, a majority of the Directors as appointed by the Shareholders’ Meeting, the entire Board of Directors is deemed suspended from office, and a Shareholders’ Meeting must be called urgently by the remaining Directors to appoint a new Board of Directors (art. 16 of the Articles).

The Company in the first place decided not to use list votes in the appointment of the Directors, but rather to encourage unitary company management in order to better pursue its industrial strategy. However, the company intends to comply with the provisions of the Code regarding non-executive and independent Directors, as set forth in section 1.1 above.

Despite the lack of an express statutory or regulatory provision, the Company intends to implement the procedure whereby, on the occasion of the appointment of a new Director or of the Board as a whole, the CV of each candidate, indicating where appropriate their suitability to be qualified as independent, shall be filed at the Company Head office at least 10 days prior to the Shareholders’ Meeting called for the relative appointment. This procedure was followed for the appointments made at the Shareholders’ Meeting of October 20 2004, but was not possible for the appointment made at the Shareholders’ Meeting of November 8 2004, since on that occasion it was necessary to replace with all possible haste a director whose appointment had been revoked by the Shareholders’ Meeting itself. Consequently, the meeting made no declarations regarding the independence of this director, and relative assessments were made by the Board of Directors in the board meeting of April 6, 2005.

1.4.2 Remuneration

In addition to reimbursement of expenses sustained in the performance of their duties, Directors are entitled to an annual indemnity whose amount established by the Board of Directors on April 27, 2005 in favour of the Board, within the limits of the overall Board remuneration established by the Ordinary Shareholders’ Meeting, including those Directors with particular duties (art. 16 of the Articles).

1.4.3 Stock option

It should further be mentioned that on November 30, 2004, the Board of Directors approved the stock option plan and relative regulations, and assigned options. The Plan regards 2,850,000 shares and is offered to the Top and Middle Management and Key people of the GEOX group, i.e. those who have a key role in achieving GEOX’s strategic objectives. Rights of option may be exercised according to the following schedule:

- on 1/3 of the option (first installment), as from the date of approval of the financial statements as at December 31, 2007;



- on a further 1/3 (second installment), as from the date of approval of the financial statements as at December 31, 2008;
- on the remaining 1/3 (third installment), as from the date of approval of the financial statements as at December 31, 2009.

The expiration date is 31 December 2014. The possibility to exercise options is subordinated to the performance results achieved in the respective vesting periods, with reference to GEOX's EBIT. The share underwriting price is equal to the sale price established in the open tender procedure for the purposes of listing the Company on the MTA, amounting to €4,60.

During its meeting on December 5, 2005, the Board of Directors brought about some integrations to the aforementioned Stock Option Plan for Management. The most relevant integration concerns the power given to managers holding options to anticipate exercise of part of the same options, with respect to the terms originally set forth in the Plan. The Board decision, put forward by the Remuneration Committee, was motivated by the excellent corporate data performance during 2005 and by the belief that such results were achieved thanks to the contribution of the company managers. The right of early exercise was granted for 344,000 options, out of 2,850,000 assigned options. The right of early exercise took effect on December 12, 2005, while the remaining options are governed by the exercise terms originally envisaged in the Plan, taking effect from the date of approval of the financial statements as of December 31, 2007.

Following the possibility for managers to exercise options, the new share capital amounting to € 25,884,400 was indicated in the Articles of Association, and the market was informed as per art. 2.6.4 of the Regulations for Issuers on internal dealing.

Moreover, as put forward by the Remuneration Committee, on December 15, 2005 the Board of Directors approved a new Stock Option Plan regarding 894,000 shares. The new Plan includes the following schedule:

- 1/3 of the assigned options (first installment) may be exercised as from the date of approval of the financial statements as at December 31, 2008;
- a further 1/3 (second installment), as from the date of approval of the financial statements as at December 31, 2009;
- the remaining 1/3 (third installment), as from the date of approval of the financial statements as at December 31, 2010.

The expiration date is set for December 31, 2015. The possibility to exercise options is subordinated to the performance results achieved in the respective vesting periods, with reference to GEOX's EBIT.

The share underwriting price is equal to the normal value of the shares at the moment of offer of rights of option are offered, as per art. 9 T.U.I.R. 917/86.

Lastly, on February 28, 2006 the Board of Directors decided, as put forward by the Remuneration Committee, to allocate further 4,800 options in favour of a new beneficiary of the Stock Option Plan for management approved by the Board of Directors on December 15, 2005. In total, thus, the Plan shall allocate 898,800 shares.

1.4.4 Remuneration Committee

On December 9, 2004, the Board of Directors decided to set up a Remuneration Committee, in line with the provisions of article 8 of the Code of Self-Governance. In particular, the Remuneration Committee has the task of (i) formulating proposals to the Board for the remuneration of the Managing Director and of those other directors who hold particular positions, and also, when instructed by the Managing Director, of establishing the criteria for the remuneration of the Company's top management, which should be such as to attract and



motivate persons of adequate level and experience; (ii) making proposals for any incentive plans for the directors, employees and independent contractors; (iii) providing opinions on issues from time to time presented to it by the Board of Directors regarding remuneration or any other inherent or related matter.

The Committee is composed of Mario Moretti Polegato, Bruno Barel and Alessandro Antonio Giusti. In the performance of its duties, the Remuneration Committee may avail itself of external consultants, at the expense of the Company.

During financial year 2005 the Remuneration Committee met three times, in order to assess the congruity of the remuneration of the Directors to be put forward to the Shareholders' meeting and to discuss the stock option suggestions under par. 1.4.3.

Finally, in compliance with the specific mandate granted by the Board of Directors on December 9, 2004, the Committee set out its internal functioning procedures, in particular as regards the convening of meetings, frequency and guidelines on how meetings should be carried out, and appointed Mr. Bruno Barel as its Chairman.

2. THE INTERNAL AUDITING SYSTEM

The internal auditing system of Geox S.p.A. is meant as a process involving all corporate functions, aimed at protecting the efficacy and efficiency of corporate operations, reliability of financial information, respect of applicable legislation and safeguard of corporate assets. During 2005 this process developed further thanks to the joint activity of a dedicated internal working party, of the Internal Audit Committee and of the Person in charge of internal audit. In particular, the latter, in the execution of its functions, has periodically reported to the Chairman of the Board of Directors, to the Internal Audit Committee and to the Auditors.

It should be mentioned that the Company's Board of Directors meeting on December 9, 2004, in compliance with articles 9 and 10 of the Code set up a specific Internal Audit Committee, with the tasks of (i) assisting the Board of Directors in the activities of establishing, verifying and assessing the internal auditing system; (ii) assessing the work plan prepared by those responsible for internal auditing and receiving their periodic reports; (iii) assessing the proposals made by the independent auditors to win the contract, their predisposed auditing plan and the results shown in the reports and in the letter of suggestions; (iv) reporting to the Board, at least every six months, on the occasion of approval of the financial statements and of the half-yearly report, on the activity performed and on the adequacy of the internal auditing system; (v) evaluating together with the executives of the Company and with the statutory auditors, the adequacy and uniformity of the accounting principles adopted for the purposes of drawing up the consolidated financial statements; (vi) supervising the state of compliance with the Code of Self-Governance; and (vii) performing any further tasks requested of the Committee by the Board of Directors.

Pursuant to the Code of Self-Governance, the Internal Audit Committee is composed of non-executive and independent directors: Mr. Francesco Gianni, Bruno Barel and Alessandro Antonio Giusti. Moreover, the chairman of the Board of Statutory Auditors, or another Statutory Auditor chosen by the Chairman of the Board itself, and the Managing Director of the Company also take part in the work of the Committee.

Concretely, during 2005 the Committee formally met five times and went on assessing the internal auditing system by analyzing corporate risks both as to the Company operational activity and as set forth in Legislative Decree 231/01. The reference document for this activity was a new risk



mapping system developed by the internal working party, which reassessed the initial work carried out by an external consultancy company, readjusting it to the present company organizational and control structure.

The Committee, therefore, in accordance with the Person in charge of internal audit and with the dedicated internal working party, assessed all internal procedures and monitored the stages of their actual implementation, and then reported the main ones to the Board of Directors and audit company. The same Board of Directors has granted mandate to the Managing Director to verify, examine and implement such procedures, meant as guidelines for the company structure and its activities.

Finally, in compliance with the specific mandate granted by the Board of Directors on December 9, 2004, the Committee set out its internal functioning procedures, in particular as regards the convening of meetings, frequency and guidelines on how meetings should be carried out, and appointed Mr. Alessandro Antonio Giusti as its Chairman.

It should be underlined that the Internal Audit Committee, in its reports to the Board of Directors, has deemed that the situation of the Company internal audit is suitable.

Furthermore, in compliance with the Guidelines by Confindustria on the drafting of the Model for organization, management and control to be adopted in order to prevent the crimes under Legislative Decree 231 of June 8, 2001, on the discipline of administrative responsibility in companies, Geox S.p.A. decided the following:

1. to adopt the Code of Ethics drawn up by the Ethics committee and approved by the Board of Directors on May 13, 2005, whose principles have been communicated to all operators in the internal auditing system. During 2005 the Company carried out numerous activities to implement the Code of Ethics: from its adoption by the individual companies within the Group, up to internal training programs and dissemination among its suppliers, customers, employees, Directors and Auditors;
2. to adopt a Model for Organization and Management in compliance with Legislative Decree 231/01 (henceforth "Model 231"), whose general part was approved by the Board of Directors on October 17, 2005 and the special parts were approved by the Board of Directors on February 28, 2006;
3. to entrust Model 231 to a Compliance Committee (henceforth "C.B.") composed of an Independent director, the Person in charge of internal audit and an external professional. To date the Compliance Committee has mainly assessed corporate procedures existing under Legislative Decree 231/01, and drafted its own internal regulation.

Moreover, considering the importance of the Code of Ethics within Model 231, some operational procedures for the collaboration between the Ethics committee and the C.C. have been identified in order to disseminate knowledge and understanding of the Code (pursuant to art.10 of the same Code). The Code of Ethics can be viewed under the investor section relations-corporate governance in the www.geox.com website.

3. TRANSACTIONS WITH RELATED PARTIES

The aforementioned article 18 of the Articles represents an initial form of adaptation of the Company's corporate governance model in order to comply with the suggestions in article 11 of the Code, insofar as it obliges the Directors to report sufficiently and with all due haste, and in any case at least on a quarterly basis, both to the Board of Directors and to the Board of Statutory Auditors, on any transactions with related parties or in which they have an interest, themselves or on behalf of



third parties. Furthermore, if the person with a vested interest for himself or on behalf of third parties is the Managing Director, he must abstain from performing the transaction, and delegate its performance to the Board of Directors.

Moreover, on December 9, 2004, the Board of Directors approved, amongst other things, a procedure to regulate the performance of transactions with related parties. This procedure foresees, in particular, that before assuming decisions regarding a transaction with related parties, the competent body must provide adequate information on the nature of the relation, on the executive procedures of the transaction, on the conditions, also economic, of its performance, on the assessment procedure followed, on the underlying interest and motivations and on any risks for the Company. Where the nature, the value or other characteristics of a transaction with related parties require it, in order to prevent the transaction being performed at conditions different to those which would probably have been negotiated between unrelated parties, the competent body requests the assistance of one or more independent experts. Such experts are called upon to express their opinion, as the case may be, on the economic conditions and/or legitimacy and/or technical aspects of a given transaction.

The definition of “related parties” foreseen in the aforementioned procedure was altered subsequently to the coming into force of the Consob resolution no. 14990 of April 14, 2005, incorporating the notion given by principle IAS 24. Yet, the briefing paper included in the bi-yearly report of June 30, 2005 was already inspired by this principle.

4. TREATMENT OF RESERVED INFORMATION

4.1 Regulations for the divulgence of reserved information

At the Board Meeting of December 9, 2004, the Company approved, amongst other things, regulations governing the procedures for the internal management and divulgation of documents and reserved information (for example, strategic plans, work projects, data on results and progress, results forecasts, procedures and operational strategies, investments and disinvestments and relative projects, lists of shareholders, suppliers, etc) regarding the Company, with particular reference to price sensitive information (intended as information regarding the activity of the Company and its subsidiaries which is not in the public domain and which could, if made public, significantly influence the company's share prices). These regulations, in particular, lay down that the Directors and the Statutory Auditors of the Company are obliged to observe the strictest confidentiality regarding documents and information acquired in the performance of their duties and must distribute such information only through authorized channels, adopting all necessary precautions to ensure that the circulation of such documents within the company may take place without prejudice to the reserved nature of the information.

4.2 Discipline of Internal Dealing

Regarding the compliance of the Company's corporate governance model with that suggested in article 6 of the Code, the Company, at the Board Meeting of July 27, 2004, approved the Code of Conduct as set forth in article 2.6.3 of the Regulations of Markets organized and managed by Borsa Italiana. In particular, the Code of Conduct disciplines the transactions performed using financial instruments of the Company by all those subjects who, by virtue of their position, have access to information such as may cause significant variations in the Company's economic prospects and which may, if made public, significantly influence the price of the relative listed financial instruments issued by the Company. The aforementioned subjects are obliged to deliver



communications regarding each transaction using Company financial instruments, to the person thus appointed pursuant to the Code of Conduct, by the end of the fifth day of stock market trading following the end of each calendar quarter. Such communications may however be avoided if the overall value (established on the basis of procedures set forth in the Code of Conduct) of the transactions performed within each quarter is less than € 50,000. However, communication must be performed without delay by the end of the first day of stock market trading following the day on which the transaction is completed, if the value of the transaction exceeds € 250,000. The person with the job of receiving these communications will, in turn, provide for publishing the information received on the market, in accordance with established procedures. If this Code of Conduct is violated by Company employees, this will be assessed as a possible infringement requiring disciplinary action. When violations are made by subjects holding the position of director or statutory auditor, they will be evaluated as possible infringements of the bond of trust.

So far eleven communications to the market have been disseminated pursuant to art. 2.6.4 of the Regulation for Issuers on the subject of internal dealing: four were immediate, on the €250,000 threshold being exceeded and seven followed the € 50,000 threshold being exceeded, with reference to the fourth quarter of 2005. All the aforesaid communications were made possible by the early exercise of part of stock options for some managers, agreed by the Board of Directors on December 5, 2005, as described in par. 1.4.3 above.

It should be mentioned that the legislation on “market abuse” as set forth in Consob resolution no. 15232 of November 29, 2005 is being transposed. Hence, the company, in accordance with the law, undertakes to introduce and manage a register of the people who have access to privileged information, to arrange an internal regulation for privileged and reserved information, as well as a procedure for the management of communications on internal dealing and any other related document or activity.

5. RELATIONSHIPS WITH INSTITUTIONAL INVESTORS AND WITH OTHER SHAREHOLDERS

The shareholders meeting of April 27, 2005 approved some regulations for shareholders’ meetings governing the ordered and functional performance of meetings and ensuring for each Member the right to speak on the issues at stake. The text of the regulations can be viewed under the section “corporate governance” of the www.geox.com Internet website.

Relations with investors are taken care of by corporate director Mr. Luciano Santel, by administrative director Mr. Livio Libralesso and by corporate director assistant Mr. Paolo Dal Ferro.

6. AUDITORS

Auditors are appointed on the basis of lists submitted by the Members, in which candidates are to be listed by progressive number.

Each Member may submit or participate in the submission of one single list. Only the Members who, by themselves or together with other Members submitting the same list, represent at least 1% of the shares having the right to vote in the Ordinary Shareholders’ Meeting shall have the right to submit or participate in the submission of the lists. Each Member submitting or participating in the submission of the lists shall send to the registered office, at least two days prior to the date set for the Shareholders’ Meeting, on first call, a certificate issued by the intermediaries under the laws in force, substantiating legitimation to exercise the rights.



The number of candidates contained in each list shall not exceed the maximum number of members of the Board of Statutory Auditors.

The lists submitted by the Members are to be lodged with the registered office and published on at least one Italian newspaper circulating all over the country no less than ten days prior to the date set for Shareholders' Meeting, on first call.

Each candidate may stand for election on only one of the lists, under penalty of ineligibility. When lodging the list with the registered office, the declarations by the individual candidates must also be lodged, whereby they accept their nomination and attest, under their responsibility, that they do not find themselves in situations of ineligibility and incompatibility, and that they fulfill the requirements set forth by the applicable legislation and by the Articles. Together with the aforementioned declarations, each candidate shall lodge a curriculum vitae regarding the personal and professional features of the same.

The lists not complying with the above dispositions shall not be considered as submitted lists. Each shareholder has the right to vote for only one list.

From the list obtaining the largest number of votes cast by the Members, two Statutory Auditors and an Alternate Auditor shall be drawn under their progressive order in the same list; the remaining Statutory Auditor and Alternate Auditor shall be drawn from the second of the lists in order of decreasing number of votes obtained. In case of parity of votes between two or more lists obtaining the largest number of votes, the candidates to be elected Auditors, both statutory and alternate, shall be the ones who are junior by age, to the extent of the positions to be assigned, ensuring that Statutory Auditors are drawn from at least two different lists.

The chairmanship of the Board of Statutory Auditors shall go to the first candidate in the list obtaining the largest number of votes or, in case of parity between two or more lists obtaining the largest number of votes, to the oldest among the elected Auditors.

At the Ordinary Shareholders' Meeting of October 20, 2004, the Company appointed the new Board of Statutory Auditors, which is currently composed of three statutory auditors and two alternate auditors, in the persons of:

1. Fabrizio Colombo, chairman of the board;
2. Achille Frattini, statutory auditor;
3. Andrea Luca Rosati, statutory auditor;
4. Giulia Massari, alternate auditor;
5. Laura Gualtieri, alternate auditor.

The aforementioned members of the Board of Statutory Auditors will remain in office until the date of the approval of the financial statements as at December 31, 2006.

It is specified that the Achille Frattini also holds the position of statutory auditor in the following listed companies: Arnoldo Mondadori Editore –S.p.A. (Chairman of the Board of Statutory Auditors), Mediaset S.p.A. (Chairman of the Board of Statutory Auditors) and Mediolanum S.p.A.. Lastly, the Chairman of the Board of Statutory Auditors, Fabrizio Colombo, holds the position of Director of listed company Brioschi Finanziaria S.p.A.

For the Board of Directors
the Chairman
Mario Moretti Polegato