



# REPORT ON CORPORATE GOVERNANCE

*(Translation from the Original issued in Italian)*

Issuer: Davide Campari-Milano S.p.A.  
Website: [www.camparigroup.com](http://www.camparigroup.com)  
Report for: 2008  
Report approval date: 18 March 2009



## 1. PROFILE OF ISSUER

Davide Campari-Milano S.p.A. (the “Company” and, together with its subsidiaries, the “Group”) has adopted the provisions of the Code of Conduct for Listed Companies (“the Code”), published in March 2006, as its model for corporate governance.

This report on corporate governance (the “Report”) was prepared with reference to the “Experimental Format for Corporate Governance Reporting”, issued by Borsa Italiana.

Pursuant to Article 89. *bis* of the Consob regulation issued with its Resolution 11971 of 24 February 1999 (the “Issuer Regulations”), the Report aims to provide the market and shareholders with complete information on the Company’s chosen corporate government model and on the implementation of the recommendations contained in the Code during the financial year 2008 (the “Financial Year”), explaining any non-compliance and the action taken in this regard.

The Company has chosen a traditional administration and control model, consisting of a management body, the Board of Directors (the “Board”) and a control body, the Board of Statutory Auditors.

In accordance with Article 14 of the Articles of Association (the “Articles of Association”) the Company is run by a Board of Directors comprising between three and fifteen members, appointed by the ordinary shareholders’ meeting, which also decides on the number of members.

The Board has full ordinary and extraordinary administrative powers to manage the Company and to achieve the corporate purpose.

It constitutes the key entity of the Company’s corporate governance system.

The Board is responsible for setting out strategic and management guidelines for the Company and the Group and for monitoring general performance, as well as defining and applying the Company’s corporate governance rules and examining internal audit procedures.

The Board of Statutory Auditors is responsible for ensuring that the law and the Articles of Association are observed and that the principles of correct administration are applied, and in particular, that the system of internal control and organisational, administrative and accounting procedures are adequate and properly functioning. It also ensures that the corporate governance rules in force at the Company are applied correctly.

Article 27 of the Articles of Association states that the Board of Statutory Auditors comprises three Permanent Auditors and three Deputy Auditors.

The accounts audit is carried out by an external auditors.

The shareholders’ meeting is responsible for approving (i) at ordinary sessions, the annual accounts, the appointment and dismissal of Directors and the appointment of members of the Board of Statutory Auditors, establishing the remuneration of Directors and Auditors, engaging external auditors and granting responsibilities to Directors and Auditors, and (ii) at extraordinary sessions, approving changes to the Articles of Association.

## 2. INFORMATION ON OWNERSHIP STRUCTURE PURSUANT TO ARTICLE 123 BIS OF THE CONSOLIDATED LAW ON FINANCE (TUF) AT 31 DECEMBER 2008

### a) Structure of share capital

Amount in Euro of subscribed and paid-up share capital: € 29,040,000.00

Categories of shares comprising the share capital

	Number of shares	% of share capital	Listed (markets indicated)/ not listed	Rights and obligations
Ordinary shares	290,400,000	100%	Listed on the blue chip segment of the Italian stock market (electronic share market)	See the following articles in the Articles of Association: 5 (nominal value) 6 (voting rights), 8 (pre-emption rights), 9 (new shares), 11 (participation in the shareholders' meeting), 12 (appointment of Secretary), 13 (rights of redemption), 14 (appointment of the Board), 27 (appointment of the Board of Statutory Auditors), 30 (advances on dividends), 31 (payment of dividends), 32 (domicile) and 33 (liquidation).

### b) Restrictions on transfer of securities

There are no restrictions on the transfer of securities.

### c) Major shareholdings

Significant holdings in the share capital, according to information submitted pursuant to article 120 of Legislative Decree 58 (TUF), were as follows at 31 December 2008:

Individual/entity	Direct shareholder	% of ordinary capital	% of voting rights
Rosa Anna Magno Garavoglia	Alicros S.p.A.	51.00%	51.00%
Cedar Rock Capital	Cedar Rock Capital	7.527%	7.527%

### d) Securities conferring special rights

No securities conferring special rights have been issued.

### e) Employee share ownership: mechanism for exercising voting rights

There is no mechanism for employee share owners to exercise voting rights.

### f) Restrictions on voting rights

There are no restrictions on voting rights.

### **g) Agreements between shareholders**

The Company is not aware of any agreements between shareholders pursuant to article 122 of Legislative Decree 58.

### **h) Appointment and replacement of directors and changes to the Articles of Association**

In accordance with article 15 of the Articles of Association, the Board of Directors is appointed by the Shareholders' Meeting based on lists of names submitted by the ordinary shareholders,

each containing a maximum of 15 candidates, numbered sequentially.

The procedure for the election of Directors is as follows:

- the number of Directors, which in any event shall be no lower than three and no higher than 15, shall be determined as the number of candidates included in the list that obtained the majority of the votes cast;

- all the Directors to be appointed, except one, shall be selected, in sequential order, from the list which has obtained the majority of the votes cast;

- the remaining Director shall be selected from the list that obtained the second highest number of votes at the Shareholders' Meeting and must not be linked in any way, either directly or indirectly, with the shareholders who submitted or voted for the list that obtained the highest number of votes. The Directors are thus appointed via a list voting system, which also provides for the election of at least one Board Member representing minority shareholders, in compliance with Law 262 of 28 December 2005.

Lists obtaining a number of votes totalling less than half the qualifying percentage will not be taken into account.

If only one list has been submitted and this obtains a relative majority of the votes cast at the Shareholders' Meeting, the candidates will be appointed as Directors in the relevant sequential order up to the total number of candidates listed, which in any event shall be no lower than three and no higher than 15.

If no list has been submitted, the Board shall be appointed by the Shareholders' Meeting based on statutory majority voting rules. If the Shareholders' Meeting is called to appoint new Directors to replace one or more Directors who have ceased to hold office, their appointment shall be made by the Shareholders' Meeting based on statutory majority requirements. The mandate of any Director appointed in accordance with these procedures shall expire at the same time as the mandates of the Directors who were in office at the time of his appointment. If, in the course of the financial year, one or more Directors ceases to hold office, they shall be replaced according to legal requirements.

In the event that, for any reason, the number of Directors appointed by the Shareholders' Meeting falls to less than half, the entire Board shall tender their resignations and a Shareholders' Meeting shall be convened urgently to appoint the new Board. Only shareholders meeting the maximum shareholding requirement set by the law and regulations from time to time in force shall be allowed to submit a list. Pursuant to Consob resolution 16779 of 27 January 2009, issued in accordance with article 144-septies of the Issuer Regulations, the shareholding requirement for the submission of candidate lists for the election of the Directors and Auditors is 2% of the share capital.

The submission, filing and publication of lists are subject to the law and/or regulations in force.

Consequently, proposals for the nomination of Directors must be submitted on lists, accompanied by a detailed curriculum vitae of each candidate, and attestations on the candidates' suitability for the post.

In accordance with the provisions of the existing regulations governing the Company's shareholders' meetings (the "Regulations"), approved by the Shareholders' Meeting of 2 May 2001, the lists must be lodged at the Company's headquarters at least ten days before the Shareholders' Meeting.

To facilitate the presentation of the lists, it was decided not to increase to fifteen the number of days permitted for submission as stipulated in article 6 of the Code, and therefore not to change the term of ten days set out in the Regulations.

The lists submitted are published in good time on the Company's website, accompanied by the relevant CVs.

Changes to the Articles of Association are made according to the procedures set out in the applicable regulations.

#### **i) Powers to increase the share capital and authorisation of purchases of own shares**

An extraordinary shareholders' meeting on 24 April 2006, modifying article 5 of the Articles of Association, conferred on the Board, for a period of five years, the power to increase the company's share capital in one or more transactions, against payment or otherwise (and with or without the option to cancel the transaction if it is not fully subscribed), up to a total nominal value of € 100,000,000.00, via the issue of new shares; and also the power to issue, in one or more transactions, bonds convertible into shares and/or other securities (different from bonds) which allow the subscription of new shares up to a total nominal value of € 100,000,000.00, but in amounts which, on each occasion, do not exceed legally established limits for bond issues; the said article also establishes the procedures for exercising these powers.

The powers granted to the Board can also be exercised with the limitation and/or exclusion of pre-emption rights according to the conditions expressly indicated in the aforementioned article 5.

The shareholders' meeting of 29 April 2008 authorised the acquisition and/or sale of own shares to meet two separate requirements.

First, it is necessary to allow the Board, whenever it deems appropriate, to purchase and/or sell own shares (i) with a view to possible future acquisitions and/or strategic alliances, including via share exchanges; (ii) in the event that listed shares fluctuate beyond normal movements linked to stock market trends, and in line with market practices (also supporting liquidity and normal trading); and finally (iii) to meet investment needs if such a transaction becomes financially expedient due to the performance of the shares or the amount of cash available.

Secondly, it is necessary to allow the Board to replenish, via acquisitions and/or purchases of own shares on the market, in any quantity it deems appropriate, the reserve of own shares for the stock option plan for the Group's management, as well as to manage the implementation of the plan with the allocation of new stock options and/or the granting of stock options to beneficiaries who meet the conditions for the early exercise of options.

Authorisation has been given, until 30 June 2009, to acquire, on one or more occasions, ordinary shares in the Company. The shares acquired must not exceed a total of 10% of the share capital, taking into account the own shares already held by the Company. The Board is also authorised to sell on one or more occasions the total quantity of own shares held.

With the exception of own shares sold for the purposes of the stock option plan, which are sold at prices established under the plan, for every other purchase or sale of own shares the maximum and minimum prices is set by the Board (this may be delegated to one or more Directors), according to the following criteria, which establish clear and objective parameters: the unit purchase or sale price must not be less than 25% lower or more than 25% higher than the average reference price registered in the three stock market sessions prior to each transaction.

At the close of the Financial Year, the company held 1,940,747 own shares.

#### **l) Change of control clauses**

As part of its commercial activity, the Company and its subsidiaries are party to distribution or joint venture agreements which, as is usual in international agreements, contain clauses awarding each of the parties the power to cancel the agreement in the event of a direct and/or indirect change in control of the other party.

#### **m) Severance indemnities for Directors in the event of resignation, dismissal or cessation of working relationships following a takeover**

No agreements have been made between the Company and Directors that make provision for compensation in the event of resignation or dismissal/termination without just cause and no agreements are in place for cessation of working relationships following a takeover.

### **3. COMPLIANCE**

The Board of Directors resolved to adopt the Code on 8 November 2006.

The Company and its strategic subsidiaries are not subject to non-Italian legislation capable of influencing the Company's corporate governance structure.

### **4. MANAGEMENT AND COORDINATION**

The Company is not subject to management and coordination activity by other companies, pursuant to articles 2497 et seq. of the Civil Code, in that all decisions made by the management bodies, including strategic decisions, are taken in complete autonomy and independence.

## 5. BOARD OF DIRECTORS

### 5.1. COMPOSITION

Listed below are the names of the serving members of the Board at 31 December 2008. The Board was appointed by the ordinary shareholders' meeting of 24 April 2007 and will serve for the three-year period 2007-2009.

Descriptions of the personal and professional backgrounds of each Director are given on the website [www.camparigroup.com/investors](http://www.camparigroup.com/investors) with the list elected at the aforementioned shareholders' meeting.

The list from which each Director was elected was presented by Alicros S.p.A., the controlling shareholder of the Company.

Name	Position	In position since	List	Executive	Non-executive	Independent <sup>1</sup>	Independent in accordance with Leg. Dec. 58	% attendance at meetings of the Board	Other positions held
Luca Garavoglia	Chairman	19 September 1994	M	X				100%	2
Robert Kunze-Concewitz	Managing Director	23 July 2007 <sup>2</sup>	M	X				100%	2 <sup>3</sup>
Paolo Marchesini	Managing Director	10 May 2004	M	X				100%	5 <sup>3</sup>
Stefano Saccardi	Managing Director	31 March 1999	M	X				100%	7 <sup>3</sup>
Eugenio Barcellona	Director	24 April 2007	M		X			100%	1
Cesare Ferrero	Director	01 March 2001	M		X	X	X	100%	6
Marco P. Perelli Cippo	Director	24 March 1994	M		X	X	X	75%	-
Enrico Corradi	Director	24 April 2007	M		X	X	X	100%	16
Renato Ruggiero	Director	01 March 2001	M		X	X	X	75%	-

<sup>1</sup> Assessment of the independence of the Directors is made according to criteria set out in the Code without revision or amendment.

<sup>2</sup> The shareholders' meeting on 29 April 2008 confirmed Bob Kunze-Concewitz appointment as Director until the approval of 2009 results

<sup>3</sup> Positions exclusively in Group companies.

Name	Position	Remuneration and Appointments Committee	% attendance at meetings of the Remuneration and Appointments Committee <sup>1</sup>	Audit Committee	% attendance at meetings of the Audit Committee
Eugenio Barcellona	Director	P	100%		
Cesare Ferrero	Director			M	100%
Marco P. Perelli - Cippo	Director			P	80%
Enrico Corradi	Director	M	100%	M	100%
Renato Ruggiero	Director	M	100%		



Directors who at 31 December 2008 were Directors or Auditors of other companies listed on Italian and foreign regulated markets, and/or financial companies, banks, insurance companies or large companies, are listed below:

- Luca Garavoglia: Director of FIAT S.p.A. and Indesit Company S.p.A.;
- Eugenio Barcellona: Vice-Chairman of the Board of Directors of Consel S.p.A.;
- Enrico Corradi: Chairman of the Board of Directors of Banca Euromobiliare Suisse S.p.A., Credem Private Equity S.G.R. S.p.A. and Raffaello Jersey GP Ltd.; Vice-Chairman of the Board of Directors of Abaxbank S.p.A.; Director of Banca Euromobiliare S.p.A., Credito Emiliano Holding S.p.A., Euromobiliare A.M. S.G.R., S.p.A. Franzini A. S.p.A. and Grosvenor SGR S.p.A.; Chairman of the Board of Statutory Auditors of Comer Industries S.p.A., Marella S.p.A., Scat P.V. S.p.A. and Statutory Auditor of Marina Rinaldi s.r.l. Max Mara S.r.l., Max Mara Fashion Group S.r.l. and Maxima S.r.l.;
- Cesare Ferrero: Director of Autostrada Torino-Milano S.p.A.; Chairman of the Board of Statutory Auditors of Ferrero S.p.A., ERSEL finanziaria S.p.A. and ERSEL SIM S.p.A.; Statutory Auditor of Banca Passadore S.p.A., P. Ferrero & C. S.p.A.

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

The Board has set out general criteria for the maximum number of director and auditor positions in other companies that can be held while effectively fulfilling the role of Director of the Company.

A Board resolution of 8 May 2007 defines the following limits:

- executive Directors may assume the position of executive Director in no more than five other companies listed on regulated markets (whether in Italy or abroad), and/or in financial, banking, insurance companies or large companies, that are not Davide Campari-Milano S.p.A. or companies directly or indirectly controlled by the same;
- executive Directors may not assume the position of non-executive Director in other companies listed on regulated markets (whether in Italy or abroad), and/or in financial, banking, insurance companies or in large companies, that are not Davide Campari-Milano S.p.A. or companies directly or indirectly controlled by the same;
- non-executive Directors (independent or otherwise) may assume the position of Director and/or Auditor in no more than 10 other financial, banking, insurance companies or large companies, including no more than five companies listed on regulated markets (in Italy or abroad). Companies belonging to the same group count as a single unit.

The Board verified, at the time of approving the Report, that all Directors were in compliance with these limits at 31 December 2008 and subsequent to approving the Report.

## **5.2. ROLE OF THE BOARD OF DIRECTORS**

During the course of the Financial Year, four meetings of the Board were held.

The average duration of the meetings was about 1.5 hours.

For the financial year 2009, six meetings have been scheduled. No meetings of the Board were held in 2009 before the approval of the Report.

The Board is responsible for examining and approving:

- the strategic, industrial and financial plans of the Company;
- the strategic, industrial and financial plans of the Group;
- the Company's system of corporate governance;
- the structure of the Group.



The Board assessed as satisfactory the organisational, administrative and general accounting procedures of the Company prepared by the Managing Directors, with particular reference to the internal audit system and the management of conflicts of interest.

The assessment was made at the meeting to approve the draft annual accounts and the Report in light of the information contained in the accounting documents subject to examination, as well as the information provided by the Chairman of the Audit Committee in his own report to the Board.

Subsequent to the recommendations made by the Audit Committee, the Board decided to identify strategic subsidiaries by basing its assessment on the net sales generated by each company as a proportion of total consolidated sales.

Using the above criterion, the Board views the following companies as strategic:

- Campari Italia S.p.A.
- Campari do Brasil Ltda.
- Campari International S.A.M.
- Campari Deutschland GmbH
- Skyy Spirits, LLC

The Board also assessed as satisfactory the organisational, administrative and general accounting procedures of the aforementioned strategic subsidiaries.

This assessment was made during the meeting to approve the draft annual financial statements and the Report, after examination of the information contained in the accounting documents submitted and in view of information on these companies provided by the Chairman of the Audit Committee in his report to the Board.

The Board decided on the remuneration of the Managing Directors after examining the proposals made by the Remuneration and Appointments Committee and discussing them with the Board of Statutory Auditors.

The shareholders' meeting of 24 April 2007, which renewed the Board, resolved to award each Director annual compensation of € 25,000.00 for each financial year before any legally required deductions.

The Board assessed general management performance, paying particular attention to information provided by the delegated bodies and periodically comparing results achieved with results forecast.

In view of the extent of the mandates given to the Managing Directors, however, Company operations of major importance in terms of strategy, finances or assets are examined and approved in advance.

In the case of subsidiaries, as part of ordinary practice and following the adoption of the Code, the Board also examines and approves in advance operations of strategic importance to the Company's activities.

The Board is responsible for examining and approving in advance operations by the Company and its subsidiaries in which one or more Directors have an interest, either on their own account or on behalf of third parties, in line with the internal procedure adopted by the Company for the execution of transactions in which Directors or senior managers have a personal interest, or transactions with related parties ("Related Party Procedure").

The Board is also responsible for examining and approving in advance related-party transactions by the Company and its subsidiaries, when these transactions are important in terms of the strategy, finances or assets of the Company, pursuant to the Related Party Procedure.

The Board has not expressly set general criteria to identify those transactions of major importance in terms of strategy, finances or assets for the Company, regarding these transactions as lying beyond the management mandates of the Managing Directors.

The Related Party Procedure stipulates that all transactions with related parties, including intragroup transactions which are not typical, usual and/or on standard terms, as well as transactions in which Managing Directors have a personal interest of not less than € 1,000.00, must be approved by the Board.

The Board has not carried out an assessment of the size, composition and operation of the Board itself and its committees, and has not issued guidelines on what professional profiles would be expedient in its members, preferring to leave this assessment to the Remuneration and Appointments Committee and to the shareholders at the time of the Board's renewal.

The shareholders' meeting has not given general and advance approval of any exceptions to the prohibition of competition contained in article 2390 of the Civil Code.

### **5.3. DELEGATED BODIES**

#### **Managing Directors**

The Board has awarded managerial mandates to Robert Kunze-Concewitz, Paolo Marchesini and Stefano Saccardi. The financial limits and nature of these mandates is summarised as follows:

- with sole signature:
  - purchasing and selling products, semi-finished goods, raw materials and services pertaining to the corporate purpose, and coordinating all related commercial activity to a maximum limit of € 2,500,000 per contract and per financial year;
  - signing and cancelling contracts in respect of agents, business procurement, mediation, commission, distribution, brand licensing, administration, tenders, deposits, loans of property, advertising, insurance, freight and transport, sponsoring, insurance and leasing, to a maximum of € 2,500,000;
  - calling in and collecting loans, sums of money and anything else owed to the Company and issuing the relevant receipts;
  - opening, managing and closing current accounts in any currency at any bank or post office in Italy and abroad; issuing and endorsing bank cheques on current accounts in the Company's name in any currency and using sums in these accounts to a maximum of € 12,500,000 per transaction;
  - arranging and using lines of credit, provided that these are not secured with real guarantees, and signing agreements for loans to or from subsidiaries, to a maximum of € 25,000,000 per loan;
  - purchasing and selling financial products and marketable securities of any kind with a maximum financial commitment of € 2,500,000 per transaction;
  - representing the Company in all its dealings with the administrative and fiscal authorities and with any legal authority.
- with joint signature:
  - signing purchasing contracts of the types listed under the first point, for sums of between € 2,500,000 and € 15,000,000;
  - signing contracts of the types listed under the second point, for sums of between € 2,500,000 and € 10,000,000;
  - using sums in current accounts in any currency opened with any bank or post office in Italy or abroad of between € 12,500,000 and € 50,000,000 per transaction;
  - arranging and using lines of credit, provided that these are not secured with real guarantees, and signing agreements for loans to and from subsidiaries, for sums of between € 25,000,000 and € 100,000,000 per loan;

- purchasing and selling financial products and marketable securities of any kind, to a maximum of € 10,000,000 per transaction in each financial year;
- purchasing and selling property to a maximum of € 2,500,000 in any financial year;
- authorising extraordinary maintenance of corporate property to a maximum of € 10,000,000 in each financial year.

### **Chairman**

In view of the nature of the duties to be carried out vis-à-vis third parties, the Chairman of the Board has been granted powers to represent the Company at institutional level.

The Board has given the Chairman the power to represent the Company in respect of associations, federations, confederations and consortia formed to protect the interests of the alcoholic and soft drinks industries, and to represent the Company's concerns in dealings with consumers and consumers' associations, local communities, public institutions in Italy, Europe and elsewhere, the public administration and any other associations, including political associations.

The Chairman of the Board does not hold principal responsibility for management of the Company and is not the controlling shareholder.

### **Executive Committee**

The Board has not established an executive committee.

### **Disclosure to the Board**

In accordance with article 19 of the Articles of Association, the Managing Directors reported on at least a quarterly basis to the Board of Directors and the Board of Statutory Auditors on the activities carried out as part of their mandates, on major transactions entered into by the Company or Group companies, and on transactions in which they had a personal interest or an interest on behalf of a third party.

## **5.4. OTHER EXECUTIVE DIRECTORS**

There are no other executive Directors apart from the Managing Directors and the Chairman. Before each Board meeting, Directors are provided with all the documentation and information necessary for a sufficient understanding of the points for discussion, as far in advance as is reasonably possible.

## **5.5. INDEPENDENT DIRECTORS**

The Board:

- at its first meeting after being reformed, assessed whether each of the Directors who declared themselves independent when the lists for director appointments were presented fulfilled the independence criteria established in the Code;
- also assessed whether these Directors fulfilled the criteria for independence established in the Code when the Report was approved;
- in carrying out these assessments, applied all the criteria set out in the Code and in Legislative Decree 58 relating to the independence of Directors.

The Board of Statutory Auditors verified that the criteria and assessment procedures adopted by the Board to evaluate the independence of its members were correctly applied, agreeing with the conclusions reached by the Board.

The independent Directors, who were appointed by the shareholders' meeting on 24 April 2007, decided to meet without the presence of the other Directors on 5 March 2008 and 23 September 2008 to discuss the general operation of the Board in the course of the Financial Year and the flow of information independent Directors receive from the Company and in particular from the executive Directors.

## **5.6. LEAD INDEPENDENT DIRECTOR**

The Board did not designate a lead independent director since the Chairman does not directly and personally control the Company.

## **6. HANDLING OF COMPANY INFORMATION**

The Board, at the suggestion of the Managing Directors, adopted a "Procedure for the Handling of Confidential Data".

This procedure defines internal responsibilities in relation to the handling of confidential information, the rules of conduct for those who become aware of such information and the related procedures for divulging information, including to the press.

The Procedures apply to Directors, Auditors and employees of the Company and other companies belonging to the Group.

Management of confidential data is the responsibility of the Managing Directors of Group companies. The task also falls to the Chief Executive Officer and the Legal Affairs and Business Development Officer as regards acquisitions and disposals, and to the Chief Financial Officer for financial information.

## **7. INTERNAL COMMITTEES**

In accordance with article 22 of the Articles of Association and with the Code, the Board established, in addition to an Audit Committee, a Remuneration Committee that, for the purposes of better rationalisation, has also incorporated the functions of the Appointments Committee (the "Remuneration and Appointments Committee").

Both committees are sub-groups of the Board and are responsible for providing advice and making proposals.

No committees other than those set out in the Code have been established.

## **8. REMUNERATION AND APPOINTMENTS COMMITTEE**

The Remuneration and Appointments Committee met two times during the Financial Year. It had three members during this period, the majority of whom were independent.

No non-members attended the meetings of the Remuneration and Appointments Committee, except for the Chairman, who participated at one meeting in respect of certain items on the agenda, at the Remuneration and Appointments Committee's request.

## **Functions of the Appointments Committee**

With respect to appointments, the Remuneration and Appointments Committee:

- recommends candidates for Director positions to the Board, pursuant to article 2386, paragraph 1 of the Civil Code, when an independent Director is to be replaced;
- proposes candidates for independent Director positions for submission to the shareholders' meeting, taking into account any recommendations from shareholders;
- formulates opinions for the Board on the size and composition of the Board and may also give opinions on what professional profiles would be appropriate within it.

With respect to remuneration, the Remuneration and Appointments Committee:

- makes proposals to the Board regarding the remuneration of Managing Directors and directors fulfilling particular roles, and monitors the implementation of decisions reached by the Board;
- periodically assesses the criteria adopted for remuneration of senior managers with strategic responsibilities, oversees their application on the basis of information provided by the Managing Directors and formulates general recommendations on the subject for the Board.

The main activities carried out by the Remuneration and Appointments Committee during the Financial Year, with respect to its individual functions, are as follows:

- review and formulating proposals for changing the "short term incentive plan" for the Group management
- formulating proposal for the issue of a new stock option tranche;
- assessment and review of the Group entire remuneration structure following up the presentation of Parent company Group Human resources manager;
- formulating proposal for modifying the timing (time slot exercise) past issued stock option ( in consistency with following stock option issues and also relating to the markets volatility increase.

Meetings of the Remuneration and Appointments Committee are minuted.

In carrying out its functions, the Remuneration and Appointments Committee was able to access the company information and functions necessary to perform its tasks and also made use of external consultants.

A budget of € 30,000 was made available to the Committee to carry out its duties during the Financial Year.

Committee members were allocated specific annual compensation for their committee-related activities.

No Directors took part in meetings of the Remuneration and Appointments Committee at which proposals regarding their remuneration were formulated for the Board.

## **10. REMUNERATION OF DIRECTORS**

A substantial portion of the remuneration of the executive Directors is linked to the financial performance of the Company and the achievement of specific targets indicated in advance by the Board.

Within the Company's organisational structure, only the Chairman and the Managing Directors have strategic responsibilities.

Share-based incentive schemes are provided for executive Directors and the Group's senior managers.

Remuneration of non-executive Directors is not linked to the Company's financial performance.

Non-executive Directors are not eligible for the share-based incentive scheme.

Remuneration of non-executive Directors is established by the shareholders' meeting together with that of the other Directors. Specific compensation is also provided for appointment to internal committees.

The following table shows the payment received by Directors during the Financial Year.

Name	Salary	Non-monetary benefits	Bonuses and other incentives	Other compensation	Total
Luca Garavoglia	1,045,000.00				1,045,000.00
Robert Kunze-Concewitz	205,000.00	4,615.90	375,000.00	359,989.56	944,605.46
Marco P. Perelli Cippo	50,000.00				50,000.00
Stefano Saccardi	289,000.00	4,664.54	300,000.00	131,967.01	725,631.55
Paolo Marchesini	289,000.00	4,372.32	300,000.00	125,830.20	719,202.52
Cesare Ferrero	50,000.00				50,000.00
Renato Ruggiero	37,500.00				37,500.00
Eugenio Barcellona	37,500.00				37,500.00
Enrico Corradi	62,500.00				62,500.00

## 11. AUDIT COMMITTEE

The Board has also established an audit committee, comprising three (non-executive) Directors, the majority of whom are independent.

The Audit Committee met five times during the Financial Year.

Most members of the Audit Committee have appropriate and extensive experience in accounting and finance, deemed as such by the Board when the Committee was set up.

Non-members have frequently attended meetings of the Audit Committee, always at the invitation of the Committee, for the purpose of providing the Committee with specific knowledge needed for more effective discussion and greater examination of certain agenda items.

The non-members invited to meetings usually hold management responsibilities in areas of competence or activity where verification work or analysis is carried out.

### Functions of the Audit Committee

The Audit Committee is required to:

- assist the Board in fulfilling the internal auditing tasks assigned to it pursuant to the Code;
- assess, in conjunction with the director responsible for preparing the company's accounting documents and the external auditors, whether the accounting principles are being correctly applied and whether they are applied in the same way in the preparation of the consolidated accounting statements;
- express opinions, at the request of the relevant executive Director, on specific aspects relating to identification of the main business risks, as well as the planning, implementation and management of the internal audit system;
- examine the work programme prepared by the head of internal auditing as well as periodic reports provided by him/her;
- assess the work programme provided for the external auditors and the results contained in the report and in any letter of recommendation;
- monitor the efficiency of the external auditing process;
- report to the Board at least twice a year, when the annual accounts and half-yearly report are approved, on activities carried out and on the suitability of the internal audit system.



During the Financial Year, the Audit Committee:

- evaluated and gave opinions on the corporate risks presented by the head of internal auditing in his own auditing activities;
- examined the work programme provided by the head of internal auditing for the Financial Year, integrating and sharing the objectives;
- held a meeting with the external auditors to verify the auditing work carried out up to that date, ensuring that there was a continual exchange of information between the head of internal auditing, the external auditors and the Board of Statutory Auditors;
- reported to the Board on the work carried out in the first and second half of the Financial Year and gave its own opinion on the adequacy of the internal audit system.

Meetings of the Audit Committee are usually attended by the Chairman of the Board of Statutory Auditors or another Auditor designated by him.

Meetings of the Audit Committee are minuted.

In carrying out its functions, the Audit Committee has the power to access the information and business functions necessary to perform its tasks and to use the services of external consultants, under the conditions established by the Board.

A budget of € 100,000.00 was made available to the Audit Committee during the Financial Year to enable it to carry out its duties.

## **12. INTERNAL AUDIT SYSTEM**

On 11 September 2007, the Board established guidelines for the internal audit system, to enable the main risks faced by the Company and its subsidiaries to be correctly identified, as well as appropriately measured, managed and monitored. It also established criteria for the compatibility of these risks with effective and proper management of the Company.

The key elements of the internal audit system described in the aforementioned guidelines can be summarised as follows:

The Board intends to make the Company's internal audit system an integral part of the operations and culture of the Group. To this end it is establishing information, communication, training, remuneration and disciplinary processes aimed at promoting effective risk management and discouraging conduct that goes against the stated principles of these processes.

Pursuant to article 21 of the Articles of Association and in light of the provisions set out in the Code, the main duties of the Company's internal audit system are as follows:

- enhancing the efficiency of Company operations, by facilitating an appropriate response to operational, financial, legal and other risks that may impede the achievement of business objectives;
- ensuring that the system of internal and external reporting is effective;
- contributing to compliance with standards and regulations, and internal procedures;
- protecting Company property from improper or fraudulent use, or loss.

The following criteria have also been established to identify risks to be submitted to the Board for consideration:

- the nature of the risk, with particular reference to risks of a financial nature, risks relating to compliance with accounting standards and risks that may have a significant effect on the reputation of the Company and the Group;
- a high probability that the risk will occur;
- the limited capacity of the Company and Group to reduce the effect of the risk on operations;
- the risk is significant.



As part of normal practice, when it meets to approve the draft annual accounts and the Report, the Board, after it has heard the report of the Chairman of the Audit Committee on the activities carried out by the Committee during the previous Financial Year, assesses the effective functioning of the Audit Committee and gives an opinion on its adequacy and efficiency.

For the Financial Year under review, the Board, in accordance with the procedure summarised above, ascertained that the internal audit system had functioned effectively, that it was adequate for the size of the Company and that it had efficiently identified, measured, monitored and managed the main business risks.

## **12.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL AUDIT SYSTEM**

The Board appointed Paolo Marchesini as the executive Director responsible for supervising the functioning of the internal audit system.

In this capacity he performed the following tasks;

- identified the main business risks (strategic, operational, financial and compliance-related), taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and periodically presented these to the Board for examination;
- implemented the guidelines established by the Board for the planning, establishment and management of the internal audit system, and monitored its general suitability, effectiveness and efficiency on an ongoing basis;
- adapted the system to changes in operating conditions, regulations and legislation;
- proposed the appointment and remuneration of the head of internal auditing to the Board.

## **12.2. HEAD OF INTERNAL AUDITING**

On 22 March 2006, the Board appointed Antonio Zucchetti as head of internal auditing, assigning him the task of verifying that the internal audit system is always adequate, fully operational and functioning properly.

After 8 May 2007, the Board, acting on the recommendation of the executive Director responsible for supervising the functioning of the internal audit system and having heard the opinion of the Audit Committee, confirmed this position and also established remuneration for it, in line with company policy.

The head of internal auditing does not have any operating responsibilities or report to any managers working in operational areas, including administration and finance.

The head of internal auditing:

- had direct access to all information needed to carry out his duties;
- reported on his own work to the Internal Audit Committee and the Board of Statutory Auditors;
- also reported on his own work to the executive Director responsible for supervising the functioning of the internal audit system.

The head of internal auditing was provided with a budget of € 150,000.00 to carry out his duties during the Financial Year.

The main activities carried out by the head of internal auditing during the Financial Year were as follows:

- assessing risks related to whiskies production and storage phases set by Group Scottish companies;
- analysing derivatives financial tools signed by Group companies;
- analysis of credit and production at Campari do Brasil Ltda;
- analysing the risks of the commercial and marketing structure of Campari Deutschland GmbH, Campari International S.A.M. and Skyy Spirits LLC;

- assessing general risks for Campari (Beijing) Trading Co. Ltd and Campari Austria GmbH;
- analysis of the insurance arrangements in place at the Group to cover the main risks;
- coordination of activities deriving from the application of Law 262 of 28 December 2005.

The outcomes of all the activities summarised above were reported to the Audit Committee at the meetings held during the Financial Year.

The Company has established an internal audit department.

The head of internal auditing is responsible for this department.

The internal audit department has not been outsourced, either as a whole or for any operating segment.

### **12.3. ORGANISATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001**

On 11 November 2008 the Company Boards of Directors approved an organisation, management and control model pursuant to Legislative Decree 231/2001 (The Model), become effective on 1 January 2009.

The Model is aimed at preventing all the offences of which at the foretold decree, paying particular attention to offences against the public administration, Corporate and financial offences and offences committed in breach of regulations on health and safety at work.

On December 2008 Board of Director's of Italian subsidiaries adopted the Model approved by the Parent Company, considering it is worth making use of a single Group Watch Structure.

The Company aims at both strengthening its organisational management and internal control, and increasing the awareness of the Recipients of the Model of the importance of exemplary and transparent conduct, so as to minimise the risk of the offences set out in the Decree being committed.

The Model was prepared in accordance with the Confindustria guidelines on building organisational, management and control models, and represents a formalisation of existing management structures, procedures and controls rather than the creation of a new system of organisation, management and control, and forms part of a wider organic system put in place by the Company in compliance with applicable regulations and legislation.

The Company has therefore appointed as member of the Watch Structure Marco Pasquale Perelli-Cippo, with role of President, Enrico Corradi and Cesare Ferrero, based on the requirements of professionalism, trustworthiness, competence, independence and operational autonomy. The Company considered the opportunity of the Watch Structure, responsible for supervising the functioning of the models and compliance therewith, consisting of the same members of the Audit Committee, as they already carry out supervisory activities on key corporate processes.

### **12.4. EXTERNAL AUDITOR**

Reconta Ernst & Young S.p.A. was assigned the task of auditing the Company accounts at the shareholders' meeting of 1 March 2001.

This assignment was extended at the shareholders' meeting of 24 April 2007, as permitted in article 8 of Legislative Decree 303 of 29 December 2006, for a further three-year period, from 2007 to 2009.

## **12.5. DIRECTOR RESPONSIBLE FOR PREPARING THE COMPANY ACCOUNTS**

On 23 July 2007 the Board appointed Paolo Marchesini as the director responsible for preparing the accounting statements.

Paolo Marchesini is a Managing Director of the Company, and also holds the post of Chief Financial Officer.

In accordance with article 21 of the Articles of Association, the Board, having heard the opinion of the Board of Statutory Auditors and the Audit Committee, may appoint one or more senior managers to prepare the accounting statements and carry out the related functions required by law. Any employee with several years' administrative or financial experience in large companies may be appointed to this post.

The director responsible for preparing the accounting statements, who is the Chief Financial Officer, heads Company's administrative structure responsible for providing all the accounting documents.

In view of the above and of the powers conferred on Managing Directors, the director responsible for preparing the accounting statements:

- has direct access to all information necessary to produce accounting data without requiring authorisation;
- has his own budget;
- takes part in internal accounting-related processes;
- plays a role in creating and approving all company procedures that have a direct effect on the balance sheet, profit and loss account and cash flow position, making particular use of IT systems;
- plays a role in defining and implementing administrative and accounting procedures for the preparation of accounting documents, making use of the internal auditing structure and monitoring its effective application;
- uses information provided by the internal auditing department to carry out specific checks.

## **13. INTERESTS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

As mentioned above, the Board approved a procedure for approving and carrying out transactions by the Company or its subsidiaries with related parties.

The Board has established the Related Party Procedure, which defines specific transactions requiring Board approval and the criteria for identifying such transactions, as summarised below.

Directors of Group companies, as well as senior managers with the power to enter into binding agreements with third parties on behalf of Group companies, must comply with the Related Party Procedure.

In the case of any transaction in which they have a personal interest or an interest on behalf of third parties, or any transaction with related parties, with a value of € 1,000 or above, the said directors and managers must refrain from completing such transactions, and provide full details thereof to an executive Director of their company, or, where the party with the interest is an executive Director, to the relevant Board of Directors.

The executive Director (or the Board of Directors) then evaluates the general and financial suitability of the transaction, and may decide to authorise it.

Intragroup transactions that are not typical, usual and/or on standard terms are subject to this procedure.

The Related Party Procedure is set out on the Company's website at <http://investors.camparigroup.com/>.

For the sake of greater operational flexibility, the Related Party Procedure does not require an opinion from the Audit Committee and/or the assistance of independent experts to approve such a transaction.

However, it is understood that the Board or the Managing Directors nevertheless have the powers to request a prior opinion from the Audit Committee or expert assistance whenever this is deemed useful in assessing the expediency of the transaction.

The Board did not adopt operational solutions to facilitate the identification of situations in which a Director has a personal interest or an interest on behalf of a third party, deeming the Related Party Procedure sufficient to identify such situations.

The appropriate management of the aforementioned situations is clearly set out in article 4 of the Related Party Procedure.

#### **14. APPOINTMENT OF AUDITORS**

As set out in article 27 of the Articles of Association, the appointment of the Board of Statutory Auditors is made on the basis of lists submitted by shareholders, on which the candidates are numbered sequentially.

The list contains two sections: one for candidates for Permanent Auditor, and the other for candidates for Deputy Auditor. Minority shareholders may elect one Statutory Auditor and one Deputy Auditor.

Only shareholders who, individually or together with others, hold the maximum shareholding allowed in the Company's capital according to the law and regulations from time to time in force or, alternatively, who hold at least 5% of the shares with voting rights on the appointment of Auditors, shall be allowed to submit candidate lists.

In order to demonstrate that the minimum shareholding requirement for the submission of a list has been met, shareholders shall provide, together with their list of candidates, a copy of a statement issued by their custodian bank evidencing their ownership of the shares.

Individual shareholders and shareholders belonging to the same group cannot, either directly or indirectly through a nominee or fiduciary company, submit more than one list of candidates or vote for different lists.

Each candidate may appear on one list only, or else he/she shall not be eligible.

The procedure for the election of Auditors is as follows:

1) two Permanent Auditors and two Deputy Auditors are selected from the list that obtained the greatest number of votes at the shareholders' meeting, according to the sequential order in which they appear in the respective sections of the list;

2) the remaining Statutory Auditor and the other Deputy Auditor are selected from the list that obtained the second greatest number of votes at the shareholders' meeting, according to the sequential order in which they appear in the respective sections of the list;

When an auditor leaves his post, the replacement auditor will be, subject to availability, the first Deputy Auditor on the same list as the departing auditor, as long as he meets the requirements stipulated for the post.

The submission, filing and publication of lists are subject to the law and/or regulations in force.

The lists must be lodged at the Company's headquarters at least ten days before the date of the shareholders' meeting, as set out in article 27 of the Articles of Association, accompanied by the candidates' CVs and attestations of the candidates' suitability for the post.

The lists submitted are published in good time on the Company's website, accompanied by the relevant CVs.

To facilitate the presentation of the lists, it was decided not to increase to fifteen the number of days permitted for submitting the lists as stipulated in article 10 of the Code, and therefore not to change the term of ten days already set out in the article 27 of the Articles of Association.

## 15. AUDITORS

The members of the Board of Statutory Auditors appointed by the ordinary shareholders' meeting of 24 April 2007 for the three-year period 2007-2009 are listed below:

Name	Position	In post from	List	Independent in accordance with the Code <sup>1</sup>	% attendance at meetings of the Board of Statutory Auditors	Other positions <sup>2</sup>
Antonio Ortolani	Chairman	24 April 2007	M	X	100%	22
Alberto Lazzarini	Statutory Auditor	29 April 2004	M	X	100%	40
Giuseppe Pajardi	Statutory Auditor	24 April 2007	M	X	100%	13
Alberto Giarrizzo Garofalo	Deputy Auditor	29 April 2004	M		-	7
Gianpaolo Porcu	Deputy Auditor	24 April 2007	M		-	6
Paolo Proserpio	Deputy Auditor	29 April 2004	M		-	7

<sup>1</sup> Assessment of the independence of the Chairman and the Statutory Auditors was made according to criteria set out in the Code without revisions or amendments.

<sup>2</sup> Other positions held at the date of approval of the Report.

The Board of Auditors held eight meetings in the Financial Year.

The proposals to the shareholders' meeting for the appointment of the Auditors currently in post were accompanied by a detailed CV for each candidate.

Descriptions of the personal and professional backgrounds of each Auditor are given on the website <http://investors.camparigroup.com/> together with the relevant list elected at the aforementioned shareholders' meeting.

The list from which each Auditor was elected was presented by Alicros S.p.A., the controlling shareholder of the Company.

The Board of Statutory Auditors:

- assessed the independence of its own members on the first suitable occasion after their appointment;
- assessed during the course of the Financial Year whether the independence requirements continued to apply to its own members;
- in carrying out these assessments, applied all the criteria set out in the Code relating to the independence of Directors.

In compliance with the Code, the Company requires any Auditor who, on his own behalf or on behalf of a third party, has an interest a particular Company transaction, to promptly provide comprehensive information on the nature, terms, origin and scale of such interest to the other Auditors and the Chairman of the Board.

The Board of Statutory Auditors oversaw the independence of the external auditors, verifying that the relevant legal requirements were met, as well as the nature and extent of the various auditing services carried out for the Company and its subsidiaries by the external auditors and its entities.

In performing its duties, the Board of Statutory Auditors coordinates and collaborates with the internal auditing department and with the Audit Committee.

This coordination is achieved via the attendance of the Audit Committee at meetings of the Board of Statutory Auditors, the frequent participation of the head of internal auditing at meetings of the Board of Statutory Auditors and the exchanges of information that take place between the members of the Board of Statutory Auditors and the head of internal auditing.



## 16. SHAREHOLDER RELATIONS

The Company has set up a dedicated area on its website, which is easy to find and access, where it provides information on the Company of importance to its shareholders, so that they are fully aware of their rights and how to exercise them.

This specially created section (<http://investors.camparigroup.com/>) contains business and financial information (annual, half-yearly and quarterly reports, information on the stock market performance of Company securities, etc.), as well as data and documents of interest to shareholders, including the composition of management bodies, corporate governance information and procedures relating to disclosure requirements in the area of internal dealing regulations and related party transactions.

The Investor Relations department has been operating since the Company was listed and is responsible for managing shareholder relations. The Board later appointed Chiara Garavini as head of the department.

Shareholders can request information by emailing [investor.relations@campari.com](mailto:investor.relations@campari.com).

In the context of the Company's regular reporting procedures and the announcement of extraordinary operations, a number of meetings have been organised with Italian and international institutional investors and the financial press, many of which are also attended by members of senior management.

## 17. SHAREHOLDERS' MEETINGS

For shareholders who wish to take part in shareholders' meetings, article 11 of the Articles of Association stipulates, as per article 2370, paragraph 2 of the Civil Code, that notice must be given at least two days before the date set for the meeting.

The article states: "Shareholders wishing to participate in the shareholders' meeting must, at least 2 (two) days before the scheduled date, present their share documents at the Company's registered office or the office of an authorised intermediary, as indicated in the notice of meeting, or, in the case of dematerialised securities, they must present to the Company suitable certification issued by the appointed intermediary 2 (two) days prior to the meeting, in accordance with the applicable law.

The Articles of Association do not stipulate, as provided for in article 2370 paragraph 2 of the Civil Code, that the share documents or certification must remain unavailable until the shareholders' meeting has taken place.

The shareholders' meeting is conducted according to the Regulations.

The Regulations govern ordinary and extraordinary shareholders' meetings, as well as special shareholders' meetings. They set out the rules concerning meeting attendance, verification of proof of identity with particular reference to proxies, the powers of the Chairman with respect to declaring a quorum, opening the meeting, directing discussion, voting and vote counting.

Article 3 of the Regulations stipulates that verification of the identity of those wishing to take part in or attend the meeting is carried out by staff employed by the Company, from at least one hour prior to the start of the meeting, as stated in the notice of meeting.

Shareholders may send a representative to the shareholders' meeting, provided that a written proxy is signed by the holder of the aforementioned certification or by his legal representative or specific representative.

Those attending as representatives of one or more shareholders with voting rights must provide proof of identity as well as the written proxy.

Any shareholder with voting rights attending the meeting may not at the same time issue a proxy for some of his votes; however, he may appoint different proxies for the various items on the agenda, who must vote in proportion to the number of votes allowed.

In this case, the written proxy must state the items on the agenda to which it refers.

On arrival, each shareholder is given a full set of documents relevant to participation in the meeting.

Pursuant to article 7 of the Regulations, every shareholder has the right to take the floor on any of the agenda items, and to make observations and formulate proposals.

Requests to speak can be made up until the point when the Chairman declares discussion on the matter closed.

Speakers must be clear and concise, keep strictly to the matter in hand and finish speaking within the time deemed sufficient by the Chairman.

The Chairman or (at his invitation) whoever is assisting him, answers the questions put by the speakers immediately or when all the speakers have been heard.

A single answer may be given to several speakers in respect of the same subject matter.

All participants entitled to take part in the vote may declare the reason for his or her own vote, taking only the time that is strictly necessary.

When casting a vote, participants must clearly raise a hand or follow the instructions of the Chairman at the time of each vote. Equipment may also be provided to facilitate the vote counting process.

The Chairman may set a time limit in which votes are to be cast.

If the vote is not unanimous, the Chairman, depending on the individual circumstances, may invite those abstaining and voting against the proposed resolution, if they do not outnumber those voting in favour, or alternatively, those in favour, if they are outnumbered by those against, to declare or to make known their intentions.

When voting is complete, the Chairman announces the results and declares that the resolutions obtaining a majority of votes in favour, in accordance with the law, the Articles of Association and the Regulations, have been approved.

The Regulations summary is published at the following website: <http://investors.camparigroup.com/>.

Participants wishing to leave the shareholders' meeting before the end, and in any event, before a vote, must inform the staff responsible so that the total number of votes available at the meeting can be recalculated.

The Board reports to the shareholders' meeting on the activities carried out and planned by the Company, and seeks to ensure that shareholders have sufficient information on the areas covered to allow them to make informed decisions.

In the course of the Financial Year there were no significant changes to the Company's market capitalisation, or to the composition of its shareholder base.

## **18. CHANGES SINCE THE END OF THE FINANCIAL YEAR UNDER REVIEW**

No changes to the corporate governance structure have been made since the end of the Financial Year, except what reported on paragraph 12.3.