

# Corporate Governance 2007

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## **Introduction**

On 12 December 2005, the Company elected to structure its corporate governance in accordance with the Corporate Governance Code drawn up by the Committee for the Corporate Governance of Quoted Companies (the "Code"). On 20 July 2006, the Company updated its corporate governance system in order to comply with the indications provided in the new version of the Code drawn up in March 2006.

This report is designed to supply a description of the characteristics and structure of the Company's corporate governance model.

# Section I

## Company's Governance Structure as per the Corporate By-Laws

### **1. Shareholder meetings**

Article 13 of the corporate by-laws provides that an ordinary meeting of the shareholders is convened at least once a year, on or before 120 days from the end of the fiscal year. Should the Company be required to prepare consolidated financial statements or should special needs in relation to the Company's structure and purpose so require, the aforementioned term may be increased to up to 180 days. The meetings of the shareholders are to be held in the municipality in which the Company has its registered office and in the place established in the meeting notice, or in another municipality and place established in the meeting notice, provided in Italy. The shareholders' meetings are convened by the directors through a notice containing an indication of the day, time and place of the meeting and the list of the matters to be covered. The meeting notice is to be published in the Official Gazette of the Republic of Italy or in the daily newspaper "Il Sole-24 Ore" within the terms specified by the law.

Shareholders with voting rights who have deposited their shares or the related certification at the company's registered office or at the banks indicated in the meeting

notice, at least two business days prior to the meeting and who have not withdrawn them prior to the meeting being held, are entitled to participate in the meeting (Article 14 of the by-laws).

Pursuant to Article 16 of the by-laws, the shareholders' meetings are validly established and may deliberate on business if they meet the quorum set by the law. On 10 November 2006, the ordinary shareholders' meeting approved the Rules and Regulations for Shareholders' Meetings governing the manner in which the meetings take place. The text of such rules and regulations is attached to this report as Exhibit "A".

## **2. The Board of Directors**

Article 17 of the corporate by-laws provides that the Company is to be administered by a Board of Directors consisting of between 3 and 15 members. The members of the Board of Directors remain in office for the period established at the time of their appointment (with the term of office not to exceed three years) and may be re-elected.

Any person being elected as a director must meet the ethical requirements established by prevailing laws and regulations.

The Board of Directors is appointed by the shareholders' meeting on the basis of lists in which no more than 15 candidates may be indicated, each of whom is assigned a progressive number.

Only shareholders who, alone or with other shareholders, hold shares representing at least 2.5% (two and one-half percent) of the share capital, or any lower amount as established by mandatory provisions of the law or regulations, are entitled to present the lists.

Any shareholder, as well as the shareholders belonging to a single group, and the shareholders who are parties to a shareholder agreement, may not directly present, or present through a third party or fiduciary company, more than one list, nor may they vote for different lists. Each candidate may be presented on one list only; otherwise, the candidate shall not be eligible for election.

The lists presented, accompanied by information about the personal and professional credentials of the candidates and signed by the shareholders who presented them, with the certification of their status as shareholders, must be filed with the company's registered office at least 10 days prior to the date scheduled for the first session of the shareholders' meeting, and mention of such requirement shall be provided in the meeting notice. Statements in which the individual candidates indicate the acceptance of their candidacy and certify, under their own responsibility, the non-existence of any cause of ineligibility or incompatibility contemplated by the law, as well as their satisfaction of the ethical requisites and, if applicable, the requisites for independence, prescribed by prevailing regulations, shall also be filed at least 10 days prior to the date scheduled for the first session of the shareholders' meeting.

Any lists for which the aforementioned provisions are not observed shall be considered as not presented. The shareholders filing the lists must deliver the documentation proving their status as shareholders at least two calendar days before the date of the shareholders' meeting.

Upon the completion of the voting, the votes obtained by the lists are divided by progressive whole numbers from one to the number of directors to be elected. The quotients thus obtained are assigned to the candidates on each list, in the order listed.

The quotients assigned to the candidates on the lists are ordered on a single list in descending order. The candidates with the highest quotients are elected for the number of directors established by the shareholders' meeting. However, the candidate listed at the top of the list obtaining the second highest number of votes which is not related in any manner, including indirectly, with the list which obtained the greatest number of votes or with the shareholders who presented or voted for the list obtaining the greatest number of votes, shall also be elected as a director. Should the aforementioned candidate not have obtained the quotient needed for being elected, the candidate on the first list obtaining the lowest quotient shall not be elected, and the Board of Directors will be rounded out with the appointment of the candidate listed at the top of the list obtaining the second highest number of votes.

Should two or more candidates having obtained the same quotient be eligible for the last director's position, the candidate to be elected is the one on the list that does not yet include any elected director or that has the smaller or smallest number of directors elected.

Should none of such lists include an elected director or should all of the lists include the same number of directors, the candidate from such lists to be elected is the one who obtains the highest number of votes. In the event of equal number of list votes and equal quotients, the shareholders shall proceed to vote again, with the candidate obtaining the simple majority being the candidate elected.

Should only one list be presented, the shareholders shall vote on the list, and in the event in which such list secures a relative majority, the candidates listed in progressive order shall be elected for the number of directors established by the shareholders.

Should there be no lists, the Board of Directors is to be appointed by the shareholders on the basis of the majorities established by the law.

When the shareholders' meeting has to arrange for the appointment of directors necessary for supplementing the Board of Directors, the procedure is as follows: whenever it is necessary to substitute directors elected from the majority list, the appointment occurs through the relative majority vote, without any list limitations; instead, when it is necessary to substitute directors designated by the minority shareholders, the shareholders' meeting substitutes them with a relative majority vote, choosing them, whenever possible, from the candidates indicated on the lists which

included the director to be replaced.

Pursuant to Article 22 of the by-laws, the Board of Directors is vested with the broadest powers for the ordinary and extraordinary administration of the Company. The Board of Directors may delegate part of its powers to one or more of its members to whom the title of managing director shall be assigned, and it may also set up an Executive Committee, establishing the terms and powers therefor within the limits set by Article 2381 of Italian Civil Code (Article 23 of the by-laws). In any event, if an Executive Committee is appointed, the following persons shall be members of the committee: the Chairman of the Board of Directors (who shall serve as the committee chairman), the Vice Chairman and the Managing Directors.

With specific reference to the reporting supplied by the persons with delegated authority, Article 23 of the by-laws establishes that such persons shall report on a quarterly basis to the Board of Directors and the Board of Statutory Auditors with regard to the general trend of operations and the outlook for the same, as well as with regard to the most significant transactions (in terms of their characteristics or size) effected by the Company and its subsidiaries.

The legal representation of the company with respect to third parties and the courts is vested with the Chairman, or in the event of the Chairman's absence or inability to fulfil his duties, the Vice Chairman who substitutes the Chairman (Article 25 of the by-laws).

### **3. The executive responsible for the preparation of the Company's accounting documents**

In conformity with the provisions of Article 154-bis of Legislative Decree n. 58 of 24 February 1998 (introduced by Article 14 of Law n. 262 of 28 December 2005), the ordinary meeting of the shareholders passed a resolution on 10 November 2006 approving the addition of a special clause in the by-laws (Article 26) that provides that the Board of Directors, after having secured the favourable opinion of the Board of Statutory Auditors, appoints the executive responsible for the preparation of the Company's accounting documents, and vests the same with suitable powers and means for exercising the tasks assigned to him.

### **4. The Board of Statutory Auditors**

The Board of Statutory Auditors consists of three acting auditors and two substitutes. In order to facilitate the participation of minority shareholders in the Company's affairs, the appointment of the Board of Statutory Auditors occurs on the basis of lists that may be presented by all shareholders who, alone or with other shareholders, own at least 3% of the capital with voting rights at the ordinary shareholders' meetings. Such lists are to be filed with the Company's registered office at least ten days prior to the date set for the first session of the shareholders' meeting. The minority shareholders are entitled to elect one acting auditor and one substitute.

The Chairman of the Board of Statutory Auditors is the first candidate of the list which

obtained the second highest number of votes. Should only one list be filed, the Board of Statutory Auditors is to be appointed by majority vote, on the basis of the candidates included on the aforementioned list. The chairman of the Board of Statutory Auditors will be the first candidate on such list.

## **5. Accounting control**

The audits shall be effected by an independent audit firm, in accordance with the law (Article 28 of the by-laws).

## **6. Share capital**

Article 6 of the by-laws provides that the subscribed and paid share capital is equal to EUR 80 million, divided into n. 421,794,706 ordinary shares without par value.

On 6 May 2005, the extraordinary meeting of the shareholders passed a resolution to increase the share capital, through a divisible and progressive transaction, by a maximum nominal amount of €28,104,600, with the issue of a maximum of 56,209,200 ordinary shares with no par value, reserving such increase for the holders of 28,104,600 "SO.PA.F. 2005 - 2011 Ordinary Share Warrants", issued upon the substitution, following the incorporation of LM ETVE into So.PA.F., of the pre-existing 1,860 "LM ETVE 2005 - 2011 Ordinary Share Warrants". Each of said "SO.PA.F. 2005 - 2011 Ordinary Share Warrants" attributes the right to subscribe two ordinary shares with no par value at the price of €0.50 each, barring adjustment that might be necessary following capital transactions, if any, as provided by special rules. The capital increase, considering it is divisible and progressive, may be subscribed through one or more transactions, starting from 18 March 2006 to and including 31 December 2011, in conformity with, and at the terms and conditions of, the special rules, it remaining understood that the capital shall be increased for the amount actually subscribed as of 31 December 2011, should the increase be only partially subscribed.

By virtue of a resolution passed on 6 May 2003, the extraordinary meeting of the shareholders' vested the Board of Directors with the powers:

- a) in accordance with Article 2443 of the Italian Civil Code, to effect a paid capital increase through one or more transactions to be carried out within five years of the date of the resolution, for a maximum nominal value of €100,000,000 (one hundred million), with the power to set any share premium, in accordance with the means as specified hereunder, through the issuance of ordinary and/or savings shares having the same characteristics as the shares outstanding;
- b) in accordance with Article 2420 of the Italian Civil Code, to issue bonds, including with purchase or subscription rights and/or convertible into ordinary and/or savings shares, including the company's own shares or shares of third parties held, through one

or more transactions to be carried out within five years of the date of the resolution, for a maximum nominal amount of €50,000,000 (fifty million), within the limits as set from time to time by Article 2410 of the Italian Civil Code, establishing the conditions therefor, including the term, the interest rate, the timing and ratios for any reverse split or conversion, and the consequent capital increase to service the conversions and/or the exercise of warrants that would be needed, all in respect of the option right.

In acting on the powers so conferred, the Board of Directors shall have the authority:

1. to set aside for the employees of the company and/or subsidiary companies, pursuant to the last paragraph of Article 2441 of the Italian Civil Code, newly issued shares and/or convertible bonds, within the limits allowed;

2. to establish any share premium for the shares to be issued, as well as those which will be assigned upon conversion of the bond(s) referenced in the preceding letter b).

In establishing any share premium, the Board of Directors shall take into account the capital being contributed for the shares to be issued, the trend of the company's earnings, the capacity to remunerate the shares to be issued, as well as the performance of the stock market in general, and in particular, the performance of the related SOPAF securities during the most recent six-month period.

The capital may be increased in the ways, and within the limits, allowed by law. The capital increases may also occur through the transfer of assets in kind or receivables, in the ways, and within the limits, allowed by law. The administrative body may be delegated to effect the increases approved, in the ways, and within the limits, allowed by law.

# Section II

## Implementation of the Provisions of the Code

### 1. The Board of Directors

#### 1.1 The role of the Board of Directors

The Board of Directors has primary responsibility for determining and pursuing the Company's and the Group's strategic objectives.

In particular, the Board of Directors:

- a) examines and approves the Company's and the Group's strategic, business and financial plans, the Company's corporate governance system and the Group's structure;
- b) evaluates the adequacy of the organizational, administrative and general accounting structure of the Company and of the strategically important subsidiaries, with particular reference to the internal controls system and to the management of conflicts of interest;
- c) assigns and revokes the powers of the Managing Directors and the Executive Committee (if established) establishing the limits thereof and the means for exercising the same;
- d) determines, after having examined the proposal of the Compensation Committee and

having consulted the Board of Statutory Auditors, the compensation of the Managing Directors and of other Directors who have special responsibility, as well as the subdivision of the total compensation to the members of the Board of Directors should the latter not be resolved by the shareholders meeting;

- e) evaluates the general trend of operations, taking into consideration, in particular, the information received from the persons with delegated authority, and periodically comparing the results achieved with those planned;
- f) examines and approves in advance any transactions considered significant with respect to earnings, capital and financial position, paying particular attention to situations in which one or more Directors may have interests for his/their own account or the account of third parties and, more in general, to transactions with related parties;
- g) effects periodic evaluations about the size, the membership and the running of the Board of Directors and the Board committees.

The corporate by-laws provide that the Board of Directors is to meet at least once each quarter (Article 20). During the year ended 31 December 2006, the Board had seven meetings; at least 10 meetings were planned for 2007. Overall, 87.3% of the Directors participated in the meetings; the participation of the Independent Directors was roughly 75%.

Should the matters to be discussed during the Board meetings necessitate it, information and documentation shall be distributed to the Directors in advance so as to ensure the Directors will have an understanding of the subject matter in order to cast their vote. Any other documentation made available to persons attending the meetings of the Board of Directors is also to be sent to any persons attending the meetings via audio conference in order to ensure constant information parity.

In accordance with Article 21 of the by-laws and the procedures for compliance with the obligations provided by Article 150, Paragraph 1 of the Legislative Decree n. 58 of 24 February 1998, the Board of Directors and the Board of Statutory Auditors are informed at least quarterly, including by persons with delegated authority, about the general trend of operations, the outlook for operations, the most significant transactions carried out by the Company and the subsidiaries in terms of the impact on the earnings, financial position and capital, and any atypical or unusual transactions, transactions with related parties, or transactions involving a potential conflict of interest, with the inclusion of adequate information so as to be able to price such transactions.

The procedures for compliance with the obligations provided by Article 150, Paragraph 1 of the Legislative Decree n. 58 of 24 February 1998 is attached to this report as Exhibit "B".

On 12 December 2005, the Company likewise established principles of conduct for executing transactions with related parties, including those within the Group (the text thereof is attached to this report As Exhibit "C" and includes slight modifications made on 20 July 2006). Such principles are aimed at guaranteeing effective transparency with regard to the substance and the procedures for such transactions, thereby supplying the Board of Directors with adequate information to support its decisions in relation thereto.

## 1.2 The members of the Board of Directors

On 7 November 2005, the shareholders meeting approved an expansion of the membership of the Board of Directors, setting the number of members at nine. Accordingly, Giancarlo Boschetti, Renato Cassaro, Adriano Galliani and Luca Magnoni were appointed as Directors. The Board of Directors thus consisted of:

- Giuseppe Daveri: (Chairman and Managing Director)
- Giovanni Jody Vender: (Vice Chairman and Managing Director)
- Giorgio Magnoni: (Vice Chairman and Managing Director)
- Giancarlo Boschetti
- Renato Cassaro
- Adriano Galliani
- Luigi Guatri
- Juan Llopart
- Luca Magnoni

As a result of changes in corporate responsibility within the Board of Directors, the resignation of Luigi Guatri on 23 February 2006 and the appointment of Giorgio Cirila to take Mr. Guatri's place on 12 May 2006, the Board of Directors currently consists of:

- Giorgio Cirila: (Chairman)
- Giorgio Magnoni: (Vice Chairman and Managing Director)
- Giancarlo Boschetti
- Renato Cassaro
- Giuseppe Daveri
- Adriano Galliani
- Juan Llopart
- Luca Magnoni
- Giovanni Jody Vender

On 10 November 2006, the shareholders' meeting passed a resolution to confirm Mr. Cirila as a Director and the Chairman of the Board of Directors.

The Board of Directors will remain in office until the approval of the financial statements as of 31 December 2006.

Following is a list of the members of the Board of Directors with an indication of any director or statutory auditor positions held in other companies traded on regulated markets, including regulated markets abroad, and in financial companies, banks, insurance companies or companies of a significant size.

- Giorgio Cirila: Antonveneta ABN Amro Bank S.p.A. - Director  
Iniziativa Gestione Investments Sgr S.p.A. - Chairman  
Italgo S.p.A. - Director

Finalgo S.p.A. - Director  
Cipa S.p.A. - Chairman  
Immsi S.p.A. - Director

- Giorgio Magnoni: Acqua Blu S.r.l. - Chairman  
Piaggio e c. S.p.A. - Director  
Omniapartecipazioni S.p.A. - Director  
Management & Capitali S.p.A. - Member of Supervisory Board
- Giancarlo Boschetti: No positions held
- Renato Cassaro: Bipielle Net S.p.A. - Director  
IVRI Direzione S.p.A. - Chairman of the Board of Directors
- Giuseppe Daveri: Amplifon S.p.A. - Director
- Adriano Galliani: AC Milan S.p.A. - Vice Chairman and Deputy Managing Director  
Milan Entertainment S.r.l. - Chairman  
Milan Real Estate S.p.A. - Chairman
- Juan Llopart: No positions held
- Luca Magnoni: Essere S.p.A. - Director  
Delta S.p.A. - Director
- Giovanni Jody Vender: Ven.fin. S.p.A. - Sole Director  
GIM General Industrie Metallurgiche S.p.A. - Director  
Jove Invest S.r.l. - Sole Director  
Humanitas S.p.A. - Director  
Coeclerici S.p.A. - Director  
Camfin S.p.A. - Director  
LM-LS S.p.A. - Director

### **1.3 The subdivision of the powers and responsibilities within the Board of Directors**

#### Chairman

Pursuant to Article 25 of the by-laws, the legal representation of the Company with respect to third parties and the courts is vested with the Chairman of the Board of Directors.

The current Chairman of the Board of Directors, Giorgio Cirila, has not been vested with any operating authority and therefore, qualifies as a Non-Executive Director, but not an Independent Director, as provided by Articles 2 and 3 of the Code.

#### Executive Committee

Pursuant to Article 23 of the by-laws, the Board of Directors is empowered to set up an

Executive Committee, setting the term and powers thereof within the limits set by Article 2381 of the Italian Civil Code.

At present, there is no Executive Committee.

### Other persons with delegated authority

On 20 July 2006, the Board of Directors passed resolutions on various matters, including resolutions:

- to appoint the Vice Chairman Giorgio Magnoni as the Company's Managing Director, vesting him with the powers to be exercised by means of a single signature, and namely, the powers:
  1. to establish companies, consortiums, under any legal form, including on the basis of foreign laws, condominiums, co-ownership of property *pro-indiviso*, establishing the by-laws, pacts, regulations, clauses and conditions therefor, appointing the corporate bodies, executing any transaction and signing all acts, contracts, agreements and documents necessary, all within the limit of the amount of EUR 1.5 million for each transaction;
  2. to set up and to participate in placement and underwriting consortiums, all within the limit of the amount of EUR 1.5 million for each transaction;
  3. to subscribe share capital increases for companies in which investments are held, exercising the related option right, including any option right not exercised by other shareholders; to effect payments, including into sinking funds for companies in which investments are held, all within the limit of the amount of EUR 5 million for each transaction;
  4. to purchase and to sell investments in companies, consortiums, portions of property *pro-indiviso*, executing any transaction and signing all acts and documents necessary, all within the limit of the amount of EUR 1.5 million for each transaction;
  5. to take part in the ordinary and extraordinary shareholders' meetings and the Company's governing bodies, temporary business associations, consortiums, co-ownership arrangements, and in general the private and public entities and associations in which the Company has an interest, or in relation to which the Company may be entitled to participate and/or to exercise voting rights; to appoint proxies, including by vesting them with full authority and freedom to vote;
  6. to execute with all of the appropriate clauses, to amend and to terminate, contracts covering the purchase, sale or lease of companies and business units, as well as the purchase and sale of contracts, payables and/or receivables, all within the limit of the amount of EUR 1.5 million for each transaction;
  7. to set up temporary business associations, consortiums, joint ventures and business groups under any legal form, including on the basis of foreign laws, establishing the by-laws, pacts, regulations, clauses and conditions therefor, appointing the corporate bodies, executing any transaction and signing all acts, contracts, agreements and documents necessary;
  8. to grant/receive financing, including non-interest-bearing financing, to/from companies controlled by the Company, all within the limit of the amount of EUR 5 million for each transaction;

9. to request banks and insurance companies to release guarantees in the interest of the Company and its subsidiaries, coming to agreement on the terms and conditions therefor, all within the limit of the amount of EUR 5 million for each transaction;
10. to release guarantees, including letters of patronage and sureties, exclusively in the interest of subsidiary companies and companies in which investments are held. To pledge and to take as collateral interests in companies as well as other financial instruments. The foregoing shall apply within the limit of the amount of EUR 5 million for each transaction;
11. to execute with all of the appropriate clauses, to amend, to terminate, to transfer and to acquire via transfer, to have terminated for withdrawal, preliminary and definitive contracts for purchasing, selling, exchanging real property, all within the limit of the amount of EUR 3 million for each transaction;
12. to execute with all of the appropriate clauses, to amend, to terminate, to transfer and to acquire via transfer, to have terminated for withdrawal, preliminary and definitive contracts for purchasing, selling, exchanging goods and personal property, including registered goods and personal property, all within the limit of the amount of EUR 3 million for each transaction;
13. to execute with all of the appropriate clauses, to amend, to terminate, to transfer and to acquire via transfer, to have terminated for withdrawal, preliminary and definitive contracts for: (i) conferring sub-mandates and sub-engagements for the execution, in whole or in part, of the mandates and/or engagements undertaken by the Company, (ii) acquiring services contracts in general, (iii) acquiring marketing, promotion and advertising services in general, (iv) acquiring professional services, (v) leasing real property as lessor or lessee, including for a term of more than nine years, or granting or accepting the gratuitous use of real property for a specific period and specific purpose, (vi) establishing rights of use, ground leases, and easements, whether as the person granting or using the same, (vii) insuring people and real property and personal property in general against any type of damage and risk, all within the limit of the amount of EUR 3 million for each transaction;
14. to consent to restrictions, cancellations and postponement of mortgages, liens, receivables and other secured guarantees, releasing the registrars therefor from any responsibility in relation to the execution of the formalities that shall be requested of them, all within the limit of the amount of EUR 5 million for each transaction;
15. to sign insurance loss claims, to request bids and appraisals, to appoint appraisers, to represent the Company in cross-examination with insurers and appraisers, to pay insurance premiums, to agree on and to accept, including as a settlement, the value of the damage and compensation, to collect sums paid as compensation, providing releases thereof;
16. to represent and to execute any type of act with respect to all of the public administrations, and public authorities and institutions;
17. to arrange for the payment of donations, taxes, duties, interest on past-due amounts, penalties, fines, and collection expenses;
18. to receive or to deliver sums for deposit and guarantee, down payments and security deposits in general;
19. to execute any credit or banking transaction, whether as creditor or debtor, and therefore: (I) to open and to close current accounts, including correspondent current accounts, unrestricted deposits, restricted deposits and savings deposits with banks, credit institutions, financial companies, post offices and other entities, (II) to make orders against the Company's current accounts with withdrawals, including with the creation of overdrafts, but within limits of the credit facilities granted,

and to issue promissory notes and drafts, (III) to negotiate and to collect bills of exchange, money orders, cheques, coupons, mandates, warehouse warrants, pledge notes and any other commercial instrument or bill, signing the related documents and endorsements and releases, (IV) to deposit to current or deposit accounts held in the name of the Company with banks, credit institutions, financial companies, post offices and other entities, (V) to endorse cheques, bills of exchange and drafts, warehouse warrants, credit notes and other securities for collection or discount with credit institutions, (VI) to effect the recall of cheques, bills and other securities;

20. to manage the financing contracts executed and in effect, to agree on the interest rates and the related interest periods and to execute the same;
21. to collect or to withdraw receivables, interest, earnings and dividends, sums of cash, negotiable instruments and securities, issuing releases and receipts;
22. to request and to obtain from banks, credit institutions and from financial companies and entities, mortgages, financing, lines of credit of any type and including, without limitation, opening of credit facilities, advances, credit lines, portfolio discounts, all within the limit of the amount of EUR 10 million for each transaction;
23. to execute any act or transaction with regard to fiscal, foreign-exchange, money-laundering-prevention matters, taxation and duties, with regard to the entities and central and peripheral offices of the Financial Administration of the State, as well as to represent the Company with regard to such matters in front of Taxation Commissions and Supreme Court, in all cases with the broadest powers in terms of the presentation of claims, documents, appeals, recourse, contestation, the settlement and definition of any case, including in relation to assessments made by the financial offices, compliance with the requests of the same, the claiming of reimbursements, the execution of any act, document and release necessary;
24. to execute any statement or act and to carry out all activities and matters of compliance required of the Company by law with respect to CONSOB, Borsa Italiana, the Bank of Italy, the Italian Foreign-Exchange Office, the anti-trust authorities, and Chambers of Commerce;
25. to hire and to dismiss employees, determining their compensation, to appoint executives;
26. to make arrangements to comply with any requirements provided by labour laws and regulations, especially with regard to insurance, indemnities, social-welfare contributions, taxes, duties, levies and other;
27. to sign each act or document connected with the clearing of cases regarding the management of social, healthcare and welfare services;
28. to maintain all relationships with union organizations, executing agreements and collective contracts and resolving individual disputes;
29. to sign appeals, claims, recourse, statements, requests, letters accompanying pension requests and other documents with respect to the Italian National Institute for Industrial Accidents (INAIL), the Italian Social Security Administration (INPS), the National Healthcare Service, and other insurance and welfare entities, including in relation to the subject of social insurance, representing the Company, with express power to arrive at a transaction and a settlement;
30. to participate in all civil, penal and administrative disputes regarding labour issues, hiring, pensions and social assistance, accidents in the workplace, and employee sick leave and, in particular, in front of any judicial authority, the Constitutional Court, provincial and regional labour offices, arbitration and settlement boards, and any other office having responsibility for the same, including in attempts

to come up with a settlement, with power to transact and settle the matters;

31. to exercise the right of taking legal action, to present petitions and claims in general, to institute civil action in penal proceedings;
  32. to give the judicial authorities third-party statements as provided by Article 547 of the Code of Civil Procedure or proof as provided by Article 244 and the articles thereafter of the Code of Civil Procedure;
  33. to come up with settlements and to refer to arbitrators the settlement of disputes, to refer matters to fairness arbitration, to participate in settlements, to go to court in Italy and abroad for any type of lawsuit or proceeding, including executive and preliminary proceedings, to appear in front of any judicial authority, in any jurisdiction, including the Court of Appeals and the Supreme Court, arranging for any matters necessary for the purpose of the lawsuits and proceedings, and thus, to appoint attorneys and representatives to the disputes and arbitration, both for arbitration under the law and for fairness arbitration; to quit claims; to request the raising of protests and the registration of court-approved mortgages, claims and liens, to represent the Company in insolvency proceedings, to present formal claims for credit in executive and insolvency proceedings, to attest to the real existence of credits claimed by the Company, to enforce legal claim on credits in favour of the Company, to participate and to cast a vote in settlements of any insolvency proceedings; to have special domicile elected.
  34. to sign the Company's ordinary correspondence;
  35. to appoint, and to revoke the appointment of, representatives for executing one or more acts or categories of acts, provided that the same fall within the powers delegated;
- to vest the Director Luca Magnoni with the following powers to be exercised by single signature in the "consumer credit" sector of activity, and therefore, with exclusive reference to the two companies in which investments are held, Delta S.p.A. and Essere S.p.A.:
    1. to subscribe share capital increases for the companies, Delta S.p.A. and Essere S.p.A., exercising the related option right, including with respect to options not exercised by other shareholders; to effect payments, including to sinking funds, into the companies, Delta S.p.A. and Essere S.p.A., all within the limit of the amount of EUR 1.5 million for each transaction;
    2. to set up temporary business associations, consortiums, joint ventures and business groups under any legal form, including on the basis of foreign laws, establishing the by-laws, pacts, regulations, clauses and conditions therefor, appointing the corporate bodies, executing any transaction and signing all acts, contracts, agreements and documents necessary;
    3. to represent and to execute any type of act with respect to all of the public administrations, and public authorities and institutions;
    4. to execute any statement or act and to carry out all activities and matters of compliance required of the Company by law with respect to CONSOB, Borsa Italiana, the Bank of Italy, the Italian Foreign-Exchange Office, the anti-trust authorities, and Chambers of Commerce;
    5. to maintain all relationships with union organizations, executing agreements and collective contracts and resolving individual disputes;
    6. to sign the Company's ordinary correspondence;

7. to appoint, and to revoke the appointment of, representatives for executing one or more acts or categories of acts, provided that the same fall within the powers delegated;
- to vest the following powers jointly with Chairman Giorgio Cirila and Vice Chairman and Managing Director Giorgio Magnoni, to be exercised for urgent matters and after having consulted the Chief Operating Officer Giovanni Caruso:
    1. to establish companies, consortiums, under any legal form, including on the basis of foreign laws, condominiums, co-ownership of property *pro-indiviso*, establishing the by-laws, pacts, regulations, clauses and conditions therefor, appointing the corporate bodies, executing any transaction and signing all acts, contracts, agreements and documents necessary, all within the limit of the amount of EUR 1.5 million for each transaction;
    2. to set up and to participate in placement and underwriting consortiums, all within the limit of the amount of EUR 1.5 million for each transaction;
    3. to subscribe share capital increases for companies in which investments are held, exercising the related option right, including any option right not exercised by other shareholders; to effect payments, including into sinking funds for companies in which investments are held, all within the limit of the amount of EUR 10 million for each transaction;
    4. to purchase and to sell investments in companies, consortiums, portions of property *pro-indiviso*, executing any transaction and signing all acts and documents necessary, all within the limit of the amount of EUR 5 million for each transaction;
    5. to execute with all of the appropriate clauses, to amend and to terminate, contracts covering the purchase, sale or lease of companies and business units, as well as the purchase and sale of contracts, payables and/or receivables, all within the limit of the amount of EUR 5 million for each transaction;
    6. to grant/receive financing, including non-interest-bearing financing, to/from companies controlled by the Company, all within the limit of the amount of EUR 10 million for each transaction;
    7. to request banks and insurance companies to release guarantees in the interest of the Company and its subsidiaries, coming to agreement on the terms and conditions therefor, all within the limit of the amount of EUR 10 million for each transaction;
    8. to release guarantees, including letters of patronage and sureties, exclusively in the interest of subsidiary companies and companies in which investments are held. To pledge and to take as collateral interests in companies as well as other financial instruments. The foregoing shall apply within the limit of the amount of EUR 10 million for each transaction;
    9. to appoint, and to revoke the appointment of, representatives for executing one or more acts or categories of acts, provided that the same fall within the powers delegated. Such powers conferred jointly were supplemented by the resolution of the Board of Directors of 13 February 2007 which contemplated the conferral of the following other powers jointly to the Chairman Giorgio Cirila and the Vice Chairman and Managing Director Giorgio Magnoni, with such powers to be exercised for urgent matters and after having consulted the Chief Operating Officer Giovanni Caruso:
    10. to transfer investments in companies having securities traded on regulated markets, as well as investments in companies that hold only securities in publicly traded companies, all within the limit of EUR 100 million for each transaction and on the condition that the compound annual return thereon (IRR) for the Company is at least equal to 15% of the capital invested.

## Executive, Non-Executive and Independent Directors

The Company's Board of Directors consists of Executive and Non-Executive Directors. For the definition of "Executive Director" and "Independent Director", reference is respectively made to the provisions of Article 2 of the Code and Article 3 of the Code and Article 147-ter, Paragraph 4, of Legislative Decree n. 58 of 24 February 1998.

The Non-Executive Directors (currently seven of nine and namely, Giorgio Cirila, Giuseppe Daveri, Giancarlo Boschetti, Renato Cassaro, Adriano Galliani, Juan Llopart and Giovanni Jody Vender) are sufficient in terms of their number and authority to guarantee that their judgment is able to have a significant weight in the Board's decisions.

The Executive Directors are Giorgio Magnoni and Luca Magnoni.

The Board of Directors has identified the following directors as Independent Directors Giancarlo Boschetti, Renato Cassaro, Adriano Galliani and Juan Llopart. The Board periodically verifies that the independent directors meet the requisites for independence.

## The Compensation Committee and the Internal Controls and Corporate Governance Committee

In accordance with the Code's provisions, on 12 December 2005, the Board of Directors set up the Compensation Committee and the Internal Controls and Corporate Governance Committee, both of which have the responsibility for providing proposals and consultative input.

The functions and the make-up of such committees were updated pursuant to a board resolution on 20 July 2006, including for the purpose of incorporating the provisions of the new version of the Code that was released in March 2006.

The Board of Directors instead did not consider it necessary to set up a committee to develop proposals for director appointments, given there is no risk of any specific difficulty in coming up with the nomination proposals.

The Compensation Committee consists of three Non-Executive and Independent Directors: Giancarlo Boschetti, Renato Cassaro and Juan Llopart.

The Compensation Committee's responsibilities include:

- the presentation to the Board of Directors of proposals covering the compensation to be paid to the Managing Director and other Directors having specific responsibilities, including the Chairman, monitoring the application of the decisions taken by the Board;
- the periodic assessment of the criteria adopted for the compensation of managers with strategic responsibilities; the monitoring of the application of such criteria on the basis of information supplied by the Managing Director; and the formulation of general

recommendations on the subject to be given to the Board of Directors;

- with specific reference to stock options and other incentives programs based on share payments, the Compensation Committee presents its recommendations to the Board in relation to the use of such programs and all of the significant technical aspects related to their formulation and application. In particular, the Committee makes proposals to the Board about the incentive program deemed most appropriate (stock option plans, other share-based plans) and monitors the development and the application over time of the plans approved by the shareholders after being proposed by the Board.

The following rules apply regarding the make-up and the functioning of the Compensation Committee:

- The committee consists of Non-Executive Directors only (no less than three and the majority of whom are Independent Directors) who select a chairman, and a secretary, the latter of whom may or may not be a member of the committee;
- The Board of Statutory Auditors and the Managing Director participate in the committee's meetings. The foregoing applies without prejudice to the Managing Director's commitment to leave the meetings in the event of any conflicts of interest.

The Compensation Committee meets whenever the Chairman deems it appropriate or another member or the Managing Director requests the Chairman to convene a meeting.

During the year ending 31 December 2006, the Compensation Committee held one meeting on 27 September 2006. On such occasion, the Compensation Committee met to evaluate and come up with proposals to be supplied to the Board of Directors in relation to the following matters: (I) appointment of Giancarlo Boschetti as the committee chairman, (II) examination of the management incentive program, and (III) examination of the compensation paid to the Chairman Giorgio Cirila and Managing Director Giorgio Magnoni.

The Internal Controls and Corporate Governance Committee consists of three Non-Executive and Independent Directors, one of whom is to have suitable experience in accounting and financial matters. The members of the committee are Giancarlo Boschetti, Renato Cassaro and Adriano Galliani.

The Board of Directors, with the assistance of the Internal Controls and Corporate Governance Committee,

- a) defines the guidelines for the internal controls system, so that the main risks related to the Company and its subsidiaries are correctly identified, as well as adequately measured, managed and monitored, determining in addition the criteria of compatibility of such risks with proper and prudent business management;
- b) identifies a director to head up the oversight of the operability of the internal controls system; to date, such function has been vested with the Chairman of the Board of Directors Giorgio Cirila;
- c) evaluates, at least annually, the adequacy, efficacy and effective running of the internal

controls system;

d) describes in the corporate governance report, the essential elements of the internal controls system, rendering its opinion on the overall adequacy of the same.

In addition to assisting the Board of Directors with the tasks listed in the preceding letters a), b), c) and d), the Internal Controls and Corporate Governance Committee:

- I) evaluates, together with the executive responsible for the preparation of the Company's accounting documents and the independent auditors, the proper use of the accounting principles and their uniformity as far as the preparation of the consolidated financial statements is concerned;
- II) upon the request of the director responsible therefor, expresses opinions about specific aspects inherent to the identification of the main business risks as well as inherent to the planning, construction and management of the internal controls system;
- III) examines the work plan prepared by the internal control managers, as well as the period reports prepared by the same;
- IV) evaluates the proposals drawn up by the independent audit firms for the purpose of securing the audit mandate, as well as the work plan prepared for the audit and the results set out in the audit report and in the letter of recommendations, if any;
- V) oversees the effectiveness of the audit process;
- VI) carries out other tasks assigned by the Board of Directors;
- VII) reports to the Board of Directors, at least every six months (at the time of the approval of the annual and semi-annual financial statements), with regard to both the activity carried out and the adequacy of the internal controls system.

The following rules apply regarding the make-up and the functioning of the Internal Controls and Corporate Governance Committee:

- The committee is made up of Non-Executive and Independent Directors only (no less than three), who appoint a chairman and a secretary, who may or may not be a member of the committee;
- The committee meets at least semi-annually (prior to the Board of Directors meetings convened for approving the annual and semi-annual financial statements), and at any time when the chairman deems it appropriate or when a meeting is requested by another member of the committee or by the person responsible for overseeing the operability of the internal controls system. The meetings are also attended by the Chairman of the Board of Statutory Auditors or another statutory auditor designated by him, and any other persons who are invited to the meeting inasmuch as their attendance is considered necessary or appropriate in relation to the matters to be discussed.

During the year ending 31 December 2006, the Internal Controls and Corporate Governance Committee held one meeting on 27 September 2006 in order to evaluate and come up with proposals to be supplied to the Board of Directors in relation to the following matters: (I) appointment of Renato Cassaro as the committee chairman, (II) evaluation of the proper use of the accounting principles and their uniformity as far as the preparation of the consolidated financial statements is concerned, (III) examination of the work plan and periodic report prepared by the internal control manager, (IV) examination of the changes to the mandate to the independent audit firm, (V) examination of the annual report on corporate governance to the Board of Directors about the activity carried out and about the adequacy of the internal controls system.

#### **1.4 The appointment and compensation of Directors**

In relation to the appointment of Directors, Article 17 of the corporate by-laws contemplates the appointment of the members of the Board of Directors on the basis of lists that may be presented by all shareholders who, individually or jointly, hold at least 2.5% of the share capital. Such lists must be filed with the Company's registered office at least 10 days prior to the date set for the first session of the shareholders' meeting.

As to director compensation, Article 18 of the by-laws establishes that the directors are to be paid the compensation determined by the shareholders' meeting as well as amounts to reimburse them for the expenses incurred in serving as directors. Should the shareholders' meeting not decide on a total amount for the compensation of all directors, including those with specific responsibilities, the compensation to the directors with specific responsibilities shall include the compensation to the extent established by the shareholders' meeting as well as the reimbursement of expenses incurred in serving as directors, and any other compensation established by the Board of Directors after having consulted the Board of Statutory Auditors.

On 10 November 2006, the meeting of the Company's shareholders passed a resolution setting the annual pre-tax compensation to be paid to each director at EUR 30,000, except for other compensation, if any, as provided by Article 2389, Paragraph 2 of the Italian Civil Code for directors vested with special responsibilities.

For detailed information on the compensation paid to directors vested with special responsibilities for the year ending 31 December 2006, see the information to the notes to the financial statements as of 31 December 2006.

It is also noted that no incentives plans were provided for managing directors or general managers during the year ending 31 December 2006.

## **2. The processing of corporate information**

On 12 December 2005, the Board of Directors adopted guidelines for the internal management and external disclosure of confidential information. It is also noted that on 27

September 2006, the Board of Directors adopted more broad-based procedures for the external disclosure and internal management of confidential information, including privileged information as defined by Article 181 of Legislative Decree n. 58 of 24 February 1998. Such procedures are attached to the report as Exhibit "D".

In accordance with the provisions of Article 115-bis of Legislative Decree n. 58 of 24 February 1998, the Company has also set up a register of persons who have access to privileged information. Special procedures govern the criteria for holding and managing the data in the register (see Exhibit "E" to this report).

In further compliance with the provisions of Article 114, Paragraph 7 of Legislative Decree n. 58 of 24 February 1998, the Company has developed a code of conduct for managing, processing and disclosing information about transactions carried out by significant persons in the Company's shares or other financial instruments in relation thereto (Internal Dealing Code). The text of the Internal Dealing Code is reported in Exhibit "F" to this report.

### **3. The internal controls system**

The internal controls system consists of all of the rules, procedures, and organizational structures aimed at facilitating (via an appropriate process for identifying, measuring, managing and monitoring key risks) the sound and proper operation of the business consistent with pre-established objectives.

Acting on the proposal of the director in charge of overseeing the running of the internal control systems and the opinion of the Internal Controls and Corporate Governance Committee, the Board of Directors appoints, and revokes the appointment of, one or more persons in charge of internal controls and defines the compensation in relation thereto on a basis consistent with the Company's policies. It is noted in this regard that on 12 May 2006, the Board of Directors passed a resolution to commission LPR Management Consulting, a part of Giuseppe Mario Ruscio & C. S.a.s., to handle the internal audit and to act as the head of the internal controls.

The director in charge of overseeing the running of the internal controls system:

- is responsible for identifying the Company's main risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submitting them periodically for examination by the Board of Directors;
- implements the strategies defined by the Board of Directors, arranging for the planning, realization and management of the internal controls system, constantly verifying the overall adequacy, effectiveness and efficiency thereof; takes care of adapting the system to changes in operating conditions and in laws and regulations;
- submits proposals to the Board of Directors for the appointment, revocation of the appointment, and compensation of one or more persons to head up internal controls.

The persons heading up the internal controls:

- a. are charged with verifying that the internal controls system is always adequate, and fully operational;
- b. are not responsible for any operational area, and do not report to any manager of any operational area, including the administration and finance area;
- c. have direct access to all information useful for the execution of their mandate;
- d. have adequate means for the fulfilment of the function assigned to them;
- e. report on their work to the Internal Controls and Corporate Governance Committee and the Board of Statutory Auditors. In particular, they report on the means with which the management of risks is handled, as well as on the respect of plans defined for containing risks; express an opinion on the extent to which the internal controls is suitable for achieving an acceptable total risk profile.

On 27 September 2006, the Board of Directors approved the general principles for Organizational Model provided by Legislative Decree 231/2001 (concerning administrative responsibility of companies for crimes committed by senior managers or subordinates), a model that reflects a structured system based on the Company's specific needs and characteristics which is aimed at reasonably preventing risks of crimes and evidencing possible instances of the non-observance of the procedures established in organizational models. As of the same date, the Board of Directors also approved the Code of Conduct. The text of the general principles of the Organizational Model provided by Legislative Decree 231/2001 as well as the text of the Code of Conduct are provided as Exhibits "G" and "H" to this report.

The Internal Controls and Corporate Governance Committee and the Board of Directors believe, including on the basis of information supplied by the Board of Statutory Auditors, that the internal controls system is essentially adequate and therefore, it is suitable for protecting the Company's interests and for the purposes for which it was set up.

#### **4. Relationships with shareholders and institutional investors**

The relationships with shareholders and institutional investors are handled by a special "Corporate Communication" area that can be contacted as follows:

Maria Barelli  
Foro Buonaparte n. 24, 20121 Milan  
Tel.: +39 02 72 14 24 29  
Fax: +39 02 72 14 24 20  
e-mail: mabarelli@sopafgroup.it.

#### **5. The Board of Statutory Auditors**

The Board of Statutory Auditors currently consists of three Acting Auditors and three Substitute Auditors.

The shareholders' meeting held on 10 November 2006 appointed Giovanni Sala (Chairman), Paolo Gualtieri and David Reali as Acting Auditors. Francesco Dori, Riccardo Ronchi and Marco Salvatore were appointed as Substitute Auditors. The current Board of Statutory Auditors shall remain in office until the approval of the financial statements as of 31 December 2008.

The appointment of the Board of Statutory Auditors occurs on the basis of lists which may be presented by any shareholders who individually or jointly hold at least 3% of the capital with voting rights at the ordinary meetings of the shareholders. Such lists must be deposited with the Company's registered office at least ten days prior to the day set for the first session of the shareholders' meeting.

The overall percentage of statutory auditors attending the meetings of the Board of Statutory Auditors has been 100%, whereas it has been 85.7% with regard to the meetings of the Board of Directors.

Following is a list of the members of the Board of Statutory Auditors with an indication of any director or statutory auditor positions held in other companies traded on regulated markets, including regulated markets abroad, and in financial companies, banks, insurance companies or companies of a significant size.

- Giovanni Sala:
  - Antonveneta ABN Amro SGR S.p.A. - Acting Auditor
  - Bios Interbanca - Chairman Board of Statutory Auditors
  - CIPA S.p.A. - Chairman Board of Statutory Auditors
  - Coface Factoring Italia S.r.l. - Acting Auditor
  - Coface Italia S.r.l. - Chairman Board of Statutory Auditors
  - Coface Assicurazioni S.p.A. - Acting Auditor
  - Gewiss S.p.A. - Director
  - Interbanca S.p.A. - Chairman Board of Statutory Auditors
  - The Viscontea Imm.re S.r.l. - Acting Auditor
  - Omniainvest S.p.A. - Acting Auditor
  
- Paolo Gualtieri:
  - Alter Sim S.p.A. - Director
  - Banca Mediolanum S.p.A. - Director
  - Meliorbanca S.p.A. - Director and member of Executive Committee
  - Rreef Fondimmobiliari Sgr S.p.A. - Chairman
  - Rreef AI Alternative Investments Sgr S.p.A. - Chairman
  - Meliorbanca Asset management Sgr S.p.A. - Chairman
  - Interbanca S.p.A. - Acting Auditor
  
- David Reali:
  - Saeco International Group S.p.A. - Chairman Board of Statutory Auditors
  - Gruppo Coin S.p.A. - Chairman Board of Statutory Auditors
  - GGP Italy S.p.A. - Chairman Board of Statutory Auditors
  - AF Mezzanine SGR S.p.A. - Acting Auditor
  
- Francesco Dori:
  - V.P. Holding S.p.A. - Chairman Board of Statutory Auditors
  - Arcelor Italy Holding S.r.l. - Acting Auditor
  - Buccellati Holding Italia S.p.A. - Substitute Auditor
  - I.G.I. Iniziativa Gestioni Investments Sgr S.p.A. - Substitute Auditor
  - Coface Italia S.r.l. - Substitute Auditor

CIPA S.p.A. - Substitute Auditor

- Riccardo Ronchi:
  - Arcelor Italy Holding S.r.l. - Chairman Board of Statutory Auditors
  - Petunia S.p.A. - Chairman Board of Statutory Auditors
  - CIPA S.p.A. - Acting Auditor
  - Gewiss S.p.A. - Acting Auditor
  - V.P. Holding S.p.A. - Acting Auditor
  - Antonveneta ABN AMRO Bank S.p.A. - Substitute Auditor
  - Antonveneta ABN AMRO Sgr S.p.A. - Substitute Auditor
  - I.G.I. - Iniziativa Gestione Investments Sgr S.p.A. - Substitute Auditor
  - The Viscontea Immobiliare S.r.l. - Substitute Auditor
  - Coface assicurazioni S.p.A. - Substitute Auditor
- Marco Salvatore:
  - Coface Italia S.r.l. - Acting Auditor
  - CIPA S.p.A. - Auditor
  - Antonveneta ABN AMRO Bank S.p.A. - Substitute Auditor
  - Antonveneta ABN AMRO Sgr S.p.A. - Substitute Auditor
  - Arcelor Italy Holding S.r.l. - Substitute Auditor

The tables which follow provide a summary of the means for the Company's adoption of the main recommendations of the Code.

Milan, 29 March 2007



**TABLE 1 – STRUCTURE OF BOARD OF DIRECTORS AND COMMITTEES**

<b><u>Board of Directors</u></b>						<b><u>Internal Controls Committee</u></b>	<b><u>Executive Committee</u></b>	<b><u>Compensation Committee</u></b>
<b>Position</b>	<b>Member</b>	<b>Executive</b>	<b>Non-Executive</b>	<b>Independent</b>	<b>No. of Other Positions *</b>			
Chairman	Giorgio Ciria		X		6			
Vice Chairman / Managing Director	Giorgio Magnoni	X			3			
Director	Giuseppe Daveri		X		1			
Director	Luca Magnoni	X			2			
Director	Giovanni Jody Vender		X		6			
Director	Giancarlo Boschetti		X	X	0	X		X
Director	Renato Cassaro		X	X	2	X		X
Director	Adriano Galliani		X	X	3	X		
Director	Juan Llopart		X	X	0			X

<b>Number of meetings during the period of reference</b>	BoD: 7	Internal Controls Committee: 1	Executive Committee: -	Compensation Committee: 1
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\* Indicate the number of positions as a director or statutory auditor held by the person in other companies traded on regulated markets, including markets abroad, in financial companies, banks, insurance companies, or large-sized companies, excluding positions held in companies that are subsidiaries or affiliates of Sopaf S.p.A.



**TABLE 2 – BOARD OF STATUTORY AUDITORS**

<b>Position</b>	<b>Member</b>	<b>Number of Other Positions Held</b>
Chairman	Giovanni Sala	10
Acting Auditor	Paolo Gualtieri	7
Acting Auditor	David Reali	4
Substitute Auditor	Francesco Dori	6
Substitute Auditor	Riccardo Ronchi	9
Substitute Auditor	Marco Salvatore	5
Number of meetings held during period of reference: 3		
Indicate the quorum required for presentation of the lists by minority shareholders for election of one or more acting auditors (pursuant to Article 148 of the Consolidated Financial Act): 3%		

\* Indicate the number of positions as a director or statutory auditor held by the person in other companies traded on regulated markets, including markets abroad, in financial companies, banks, insurance companies, or large-sized companies, excluding positions held in companies that are subsidiaries or affiliates of Sopaf S.p.A.

**TABLE 3 – OTHER PROVISIONS OF CORPORATE GOVERNANCE CODE**

	Yes	No	Summary of reasons for any departure from the recommendations of the Code
<b>System of delegation of authority and transactions with related parties</b>			
Has the BoD vested authority, defining:			
a) limits of authority	X		
b) means for exercising the authority	X		
c) frequency for reporting in relation thereto	X		
Does the BoD reserves the right to examine and approve transactions with a particular impact on earnings, capital and financial position (including transactions with related parties)?	X		
Has the BoD defined guidelines and criteria for identifying "significant" transactions?	X		
Are the guidelines and criteria described in the report?	X		
<b>Procedures for the most recent appointment of directors and statutory auditors</b>			
Are names of candidates for director positions to be deposited at least 10 days in advance?		X	The corporate by-laws did not provided for any term*
Are names of candidates for director positions accompanied by comprehensive disclosure?		X	The corporate by-laws did not provide for such disclosure*
Are names of candidates for director positions accompanied by information about their suitability to qualify as independent directors?		X	The corporate by-laws did not provide for such disclosure*
Are names of candidates for statutory auditor positions to be deposited at least 10 days in advance?	X		
Are names of candidates for statutory auditor positions accompanied by comprehensive disclosure?	X		
<b>Shareholder meetings</b>			
Has the company approved rules for shareholder meetings?	X		
Are the regulations provided as an exhibit to the report (or is there an indication where they can be found or downloaded)?	X		
<b>Internal controls</b>			
Has the company appointed persons to head up internal controls?	X		
Are the persons heading up internal controls not reporting to	X		

managers of operational areas?			
Is there an operational unit assigned to internal controls?	X		
<b>Investor relations</b>			
Has the company appointed a manager of investor relations?	X		
Organizational unit and reference information (address, telephone, fax, e-mail) of the manger of investor relations	Maria Barelli Foro Buonaparte n. 24 20121 Milano Tel.: +39 02 72 14 24 29 Fax: +39 02 72 14 24 20 e-mail: mabarelli@sopafgroup.it.		

\* The following is noted in this regard: in order to ensure transparent nominations and a balanced mix of the board and to favour the participation of the so-called "minority shareholders" in the Company's business, on 10 November 2006, the ordinary meeting of the shareholders approved a new text for the corporate by-laws. In particular, the new text of Article 17 contemplates the appointment of the members of the Board of Directors on the basis of lists that may be presented by shareholders who individually or jointly hold at least 2.5% of the share capital. Such lists must be filed with the Company's registered office at least 10 days prior to the date set for the first session of the shareholders' meeting.

