

S O P A F

SOPAF S.p.A.

Foro Buonaparte, 24, Milan

Share Capital EUR 80,100,043.68

Milan Register of Companies and tax code no. 05916630154

**ANNUAL REPORT OF THE BOARD OF DIRECTORS  
ON CORPORATE GOVERNANCE AS AT  
31 DECEMBER 2008**

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## *Foreword*

The aim of this report is to provide a description of the characteristics and structure of the corporate governance model adopted by the Company.

## ***1. Information on ownership structure as at 31 December 2008***

The subscribed and paid-in share capital is equal to EUR 80,100,043.68, divided into 421,908,392 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 EUR 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 EUR 0.50 each, without prejudice to adjustments that might prove necessary following any capital transactions, as provided by special rules. Considering the capital increase is divisible and progressive, it may be subscribed through one or more transactions, as from 18 March 2006 and up to 31 December 2011, in compliance with and according to the terms and conditions set forth in the special rules, with the understanding 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 EUR 100,000,000.00 (one hundred million), with the power to establish any share premium, according to the procedures specified hereunder, through issue of ordinary and/or savings shares having the same characteristics as the shares outstanding;
- b) in accordance with Article 2420-*ter* of the Italian Civil Code, to issue, through one or more transactions to be carried out within five years of the date of the resolution, bonds, including with purchase or subscription rights and/or convertible into ordinary and/or savings shares, including treasury shares or third party shares held in the portfolio, for a maximum nominal amount of EUR 50,000,000.00 (fifty million), within the limits as permitted from time to time by Article 2410 of the Italian Civil Code, establishing all the related conditions, including the duration, the interest rate, the timing and ratios for any reverse split or conversion, and the consequent capital increase to be used for the conversions and/or the exercise of warrants that would be needed;

all of which in compliance with 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 permitted;
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) referred to in letter b) above.

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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 remuneration capacity of the shares to be issued, as well as the performance of the stock market in general, and in particular, of the market on which the SOPAF securities are listed during the last six-months.

The capital may be increased according to the procedures and within the limits permitted by law. Capital increases may also occur through contribution of assets in kind or receivables, according to the procedures and within the limits permitted by law. The administrative body may be delegated to effect the increases approved, again according to the procedures and within the limits permitted by law.

In execution of powers assigned by the shareholders' meeting of 6 May 2003, on 29 June 2007 the Board of Directors resolved to increase share capital by a maximum amount of EUR 50,000,000 (fifty million), through the immediate issue of a maximum of 77,000,000 (seventy-seven million) ordinary SOPAF shares without a par value, to cover a bond loan convertible into new issue SOPAF shares, to be offered under option to shareholders.

As at 31 December 2008, significant investments held pursuant to Article 120, Italian Legislative Decree no. 58 of 24 February 1998 were as follows:

<b>SHAREHOLDERS</b>	<b>NO. ORDINARY SHARES</b>	<b>% OF ORDINARY CAPITAL</b>
Giorgio Magnoni		
Through Alfabravo s.r.l.	24,705,000	5.855
Through Acqua Blu srl	107,939,294	25.584
Through his wife	1,258,250	0.298
Fondaz. Cassa Risparmio di Torino	9,963,229	2.361
Majest Invest Corp.	37,900,000	8.983
Eurizon capital sgr spa (mutual fund manager)	15,360,000	3.640
Aldo Magnoni (registered to a trust company)	15,923,097	3.774
Generali Investments France s.a.	8,963,716	2.125
Magnoni Ruggero	21,500,200	5.096
Immob.Nord Ovest srl	13,163,962	3.120
Anima S.g.r.p.a. (Anima Europa and Fondattivo fund manager)	12,163,657	2.883
Sirefid (for registration of shares on behalf of third parties)	18,653,097	4.421

On 27 November 2007 and pursuant to Article 2357 of the Italian Civil Code, the ordinary shareholders' meeting resolved to authorise the purchase, in one or more stages over a period of eighteen months from 27 November 2007, of a maximum of 5,200,000 ordinary Sopaf S.p.A. shares without par value, in any event for a maximum amount of EUR 2,700,000 and without prejudice to the restrictions set forth in Articles 2357 and thereafter of the Italian Civil Code, with a minimum outlay of no less than 5% and a maximum of no more than 5% of the average listed price on Borsa Italiana's screen-based system in the three trading sessions prior to each individual transaction.

In this respect, the shareholders' meeting also resolved to confer separate powers upon the Chairman of the Board of Directors, the Deputy Chairman and CEO, acting on behalf of the Board of Directors and through delegates as appropriate, to proceed with acquisition of SOPAF S.p.A. shares, according to the above terms, in stages as considered appropriate to the interests of the company, on regulated markets and in observance of the provisions of Article 144-*bis*, subsection 1, letter b) of the Issuers Regulations.

On 28 June 2008, the ordinary shareholders' meeting deliberated (i) to cancel the authorisation to purchase treasury shares approved by resolution of the meeting held on 27 November 2007, and (ii) to authorise the Board of Directors, pursuant to and for the purposes of Article 2357-*ter* of the Italian Civil Code, for a period of no more than eighteen months from the date of 28 June 2008, to sell the treasury shares purchased pursuant to the Programme or those already held in the Company's portfolio using the following procedures: trading, exchange, transfer transactions or other act of disposition as part of business plans or extraordinary finance transactions. In this case, the economic terms of the sale transaction, including valuation of the shares traded, shall be determined with the assistance of independent experts, on the basis of the nature and characteristics of the transaction, also taking into account the market performance of the SOPAF S.p.A. shares.

At year end 31 December 2008, the Company's treasury shares in portfolio totalled 5,200,000 equal to approximately 1.23% of the Company's share capital.

It should be mentioned that the Company is aware of no shareholders' agreements pursuant to Article 122, Italian Legislative Decree 58/1998.

## 2. *Compliance*

On 12 December 2005 the Company adopted the Corporate Governance Code prepared by the Committee for the Corporate Governance of Listed Companies (the "**Corporate Governance Code**"). On 20 July 2006 the Company also updated its corporate governance system in line with indications contained in the new March 2006 version of the Code.

Specifically, comparing the Company's corporate governance system with recommendations of the Corporate Governance Code, the Company:

- appointed a sufficient number of independent directors, pursuant to Article 3.P.1 of the Corporate Governance Code, namely Guidalberto Guidi, Renato Cassaro, Adriano Galliani and Mario Rey;
- adopted a procedure for the internal management and external disclosure of confidential information, pursuant to Article 4.C.1 of the Corporate Governance Code, particularly with regard to inside information;

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- established the remuneration committee, pursuant to Article 7.P.3 of the Corporate Governance Code, and appointed as its members Guidalberto Guidi, Mario Rey and Renato Cassaro;
- established the internal audit committee, pursuant to Article 8.P.4 of the Corporate Governance Code, and appointed as its members the Directors Renato Cassaro, Guidalberto Guidi and Adriano Galliani;
- appointed LPR Management Consulting di Giuseppe Mario Ruscio & C. s.a.s. as Internal Auditor responsible for internal audit of the Company, pursuant to Article 8.C.8 of the Corporate Governance Code;
- adopted the guidelines for execution of infragroup and related party transactions, pursuant to Article 9.P.1 of the Corporate Governance Code;
- adopted shareholders' meeting regulations to govern the orderly and functional conduct of shareholders' meetings, pursuant to Article 11.C.5 of the Corporate Governance Code.

Furthermore, the Board of Directors:

- has adopted an internal dealing code to identify persons subject to obligations and their disclosure obligations towards the Company with regard to transactions they perform on financial instruments issued by the Company or its subsidiaries;
- has adopted a procedure for the keeping and management of the register of persons with access to inside information;
- has adopted a procedure to comply with obligations pursuant to Article 150 of the Consolidated Law on Finance governing the content, timing and methods for reports to the Board of Statutory Auditors on activities performed, transactions of significant impact on the economic, financial and equity position of the Company or of the Group, transactions potentially involving conflict of interest and atypical or unusual transactions;
- has approved the general principles of the organisational model pursuant to Italian Legislative Decree 231/2001 (regarding the administrative liability of companies for offences committed by key officers or employees), a model that reflects a structured system based on specific Company needs and characteristics that implements all reasonable measures to avoid the risk of offences and to highlight any situation that fails to comply with procedures established in the organisational models;
- has adopted a Code of Conduct for directors, employees and collaborators acting on behalf of the Company to establish a set of conduct rules that defines the Company's relations with personnel, stakeholders, the market and the community in general, and the implementation procedures for company business;
- has adopted the Organisation, Management and Control Model pursuant to Italian Legislative Decree 231/2001 and has appointed Mario Rey, Giuseppe Ruscio and Paolo Marsigli as members of the Supervisory Board.

On 25 January 2007, Italian Legislative Decree no. 303 of 29 December 2006 entered into force, containing regulations to coordinate the Consolidated Law on Banking and the Consolidated

Law on Financial Intermediaries with Italian Law no. 262 of 28 December 2005 (the “**Law on Investments**”). Certain provisions of the Consolidated Law on Financial Intermediaries, as amended by both the Law on Investments and by Legislative Decree 303/2006, were later implemented by special enactment Regulations issued by CONSOB. On 27 November 2007 the Company therefore amended its by-laws and corporate governance system to meet the requirements of the new regulatory measures introduced by Italian Legislative Decree no. 303 of 29 December 2006 and CONSOB enactment regulations, in accordance with their specified transitional deadlines.

### **3. Activity of direction and coordination**

As at 31 December 2008 the Company is not subject to direction and coordination pursuant to Article 2497 of the Italian Civil Code.

### **4. The Board of Directors**

#### **4.1. Appointment and replacement of 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 three and fifteen members. The members of the Board of Directors remain in office for the period established at the time of their appointment, which may not exceed three years, and may be re-elected.

It is also envisaged that appointment to the office of director is subject to possession of the requisites defined by current legal and regulatory provisions. A minimum number of directors equal to the minimum established by such provisions must meet independence requirements pursuant to Article 148, subsection 3 of Italian Legislative Decree 58/1998.

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 point five 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.

Each shareholder, as well as shareholders belonging to a single group, and shareholders who are party to a shareholder agreement, may not present directly, or 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 certification of their status as shareholders, must be filed at the company's registered office at least 15 days prior to the date scheduled for the shareholders' meeting in first call, 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 within the same deadline.

Any lists for which the aforementioned provisions are not observed shall be considered as not presented.



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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 completion of 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 up to 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, not even indirectly, with the list obtaining 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 required for election, the candidate on the first list obtaining the lowest quotient shall not be elected, and the Board of Directors will be completed with the appointment of the candidate listed at the top of the list obtaining the second highest number of votes.

Where appointment of a number of directors holding the requisites of independence established for statutory auditors by Article 148, subsection 3 of Italian Legislative Decree no. 58 of 28 February 1998, equal to the minimum number established by law in relation to the total number of directors cannot be guaranteed, the non-independent candidate elected last on the list receiving most votes will be replaced by the first independent candidate not elected appearing on that same list or, if none, by the first independent candidate not elected on the list receiving the second highest number of votes, and so on. This replacement procedure will continue until the Board of Directors is composed of a number of members holding the requisites set forth in Article 148, subsection 3, of Italian Legislative Decree no. 58 of 28 February 1998 and reaches at least the minimum number prescribed by law. Lastly, if this procedure fails to guarantee the above result, replacement will be made by majority vote of the shareholders' meeting, subject to presentation of candidates possessing the above-mentioned requisites.

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 up to 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.

To the extent permitted by law, the Board of Directors has the power to decide on mergers by incorporation into Sopaf S.p.A. or spin-offs in favour of Sopaf S.p.A. of companies in which Sopaf S.p.A. holds at least 90 per cent of shares, reduction of share capital in the event of shareholder withdrawal, amendment of the by-laws in line with regulatory provisions, relocation of company offices within Italy, and the setup or closure of branch offices.

Amongst other things, the Board will also have the right to purchase, sell or exchange real estate, transfer real estate to other existing or future companies, accept responsibility for investments or interests, allow the registration, cancellation and endorsement of mortgages, waive legal mortgages and exempt real estate register holders from liability, reach agreements and compromises also through arbitrators in amicable composition, authorise and perform any transaction through public debt offices and the Italian government-controlled public financing agency and through all other public or private offices, and issue guarantees.

The Board of Directors may delegate part of its powers to one or more of its members to whom the title of CEO shall be assigned, and it may also set up an Executive Committee, establishing its term and powers 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 CEOs.

With specific reference to reports from delegated bodies, Article 23 of the by-laws envisages that reports should be submitted on a quarterly basis to the Board of Directors and Board of Statutory Auditors on general business performance and outlook, and on significant transactions, in terms of their size or nature, implemented by the Company and its subsidiaries.

Legal representation of the Company before third parties and in legal proceedings is the responsibility of the Chairman or, in his absence or incapacity, of the Deputy Chairman acting on his behalf. Also responsible for legal representation are CEOs, if appointed (Article 25 of the by-laws).

#### **4.2. Composition of the Board of Directors**

As at 31 December 2008 the Board of Directors is composed of 11 members.

The Company's Board of Directors will remain in office until approval of the financial statements as at 31 December 2009.

Following the resignation of Francesco Micheli on 24 December 2007, on 29 February 2008 the Board of Directors arranged for his replacement by appointing Mario Rey as member of the Board. The shareholders' meeting of 28 June 2008 confirmed Mr. Mario Rey as member of the Board of Directors.

As at 31 December 2008, the composition of the Board of Directors is as follows:

<b>BOARD OF DIRECTORS</b>				
		date of appointment	expiry on approval of the financial statements	Notes
<i>Chairman</i>	Giorgio Cirila	04/05/2007	31/12/2009	non-executive
<i>Deputy Chairman and CEO</i>	Giorgio Magnoni	04/05/2007	31/12/2009	executive
<i>Director</i>	Giancarlo Boschetti	04/05/2007	31/12/2009	non-executive
<i>Director</i>	Renato Cassaro	04/05/2007	31/12/2009	non-executive/ independent
<i>Director</i>	Guidalberto Guidi	04/05/2007	31/12/2009	non-executive/ independent
<i>Director</i>	Adriano Galliani	04/05/2007	31/12/2009	non-executive/ independent
<i>Director</i>	Luca Magnoni	04/05/2007	31/12/2009	executive
<i>Director</i>	Giovanni Jody Vender	04/05/2007	31/12/2009	non-executive
<i>Director</i>	Marco Stella	27/11/2007	31/12/2009	executive
<i>Director</i>	Renato Martignoni	27/11/2007	31/12/2009	non-executive
<i>Director</i>	Mario Rey	28/06/2008	31/12/2009	non-executive/ independent

Provided below is a short curriculum vitae for each Director, indicating the corporate management skills and experience matured.

**Giorgio Cirila.** Born in Lanzo d'Intelvi (Como) on 29 February 1940. Appointed Chairman of SOPAF in November 2006. Before that, from 1997 to 2006 he was CEO of Interbanca S.p.A.. He is currently the Chairman of the Board of Directors of CIPA S.p.A and member of the Board of Directors of IMMSI S.p.A., Finalgo S.p.A. and Italgo S.p.A.. His long career in the financial sector developed whilst CEO of Arca Merchant S.p.A. from 1987 to 1997, and he covered various managerial roles for Banco Lariano between 1960 and 1987. He has been Director and Chairman of several listed companies and of companies in the banking, financial and insurance sectors in Italy and abroad.

**Giorgio Magnoni.** Graduated in Law at the University of Milan in 1963. Appointed Deputy Chairman and CEO of SOPAF after the merger with LM ETVE S.p.A. of which he was the founder member and CEO from 2002. Before that, from 1995 to 2001 he was Managing Director of ITI B.V., a specialist finance company targeting the High Net Worth segment. Previously he was Managing Director and majority shareholder of Pragma (later merged into Cogis), a leader in the international project financing and consulting sector. He also had a long career in the investment banking sector: from 1972 to 1982 as Deputy Chairman and Director of Dillon Read and Co. Inc. and Dillon Read Overseas Corp., later merged into SG Warburg.

**Guidalberto Guidi.** Born in Modena on 5 August 1941. Graduated in Law at the University of Modena. Appointed Director of SOPAF in 2007. Before that he was a Director of Finmeccanica

and Autostrade S.p.A., and Chairman of Il Sole 24 Ore. He has also covered the roles of Chairman of Confindustria Emilia Romagna, Deputy Chairman of the Confindustria Research Centre when Giorgio Fossa was Chairman, and Deputy Chairman of Confindustria – Industrial Relations and Social Affairs when Antonio D’Amato was Chairman. He has been the Chairman and CEO of Ducati Energia S.p.A. since 1985. He is currently a Director of Banca Antonveneta S.p.A., Interbanca S.p.A., Lloyd Adriatico and Air Liquide Italia S.r.l. He is also Chairman of Confindustria Ancma, EICMA and the Road Safety Foundation, and is a member of the Board of Directors, Executive Committee and the Chair Council of Confindustria.

**Giancarlo Boschetti.** Born in Turin on 14 November 1939. Held several offices for the FIAT Group from 1964 until his appointment as CEO of FIAT Auto S.p.A. from 2002 to 2003, after covering the same role for IVECO S.p.A. from 1991 to 2001. From 1989 to 1990 he was Deputy Executive Chairman of the IVECO S.p.A. Trucks Division, where from 1982 to 1988 he was Deputy Chairman of the sales sector and in 1981 Deputy Chairman of the purchasing division. Between 1978 and 1979 he was the Manager of IVI, a FIAT subsidiary operating in the paint products industry. From 1976 to 1978 he was Manager of IVECO S.p.A.'s planning and marketing division.

**Renato Cassaro.** Born in Tripoli (Libya) on 21 July 1940. Appointed Director of SOPAF in 2005. Before that he was Chairman of the Board of Directors of Stream S.p.A. from 2001 to 2004. From 1997 to 2000 he was CEO of Credito Fondiario e Industriale S.p.A., and Chairman and CEO during the reorganisation of Beelli S.p.A. from 1995 to 1997. From 1993 to 1995 he was CEO of IRITECNA S.p.A. and later of FINTECNA S.p.A. Previously, he was the financial manager of IRI group companies including IRI S.p.A. from 1981 to 1993, S.M.E. S.p.A. from 1978 to 1981 and Autostrade S.p.A. from 1964 to 1978.

**Adriano Galliani.** Born in Monza on 30 July 1944. Appointed Director of SOPAF in 2005. Currently also Acting Deputy Chairman and CEO of AC Milan since 1986, Chairman of the Italian Football League since 2002 and an F.I.G.C. board member. Previously he was CEO of Mediaset S.p.A. and Chairman and CEO of R.T.I. S.p.A., the company responsible for the management of TV channels Canale 5, Italia 1 and Retequattro, up to 1998. From 1979, as proposed by Silvio Berlusconi, he developed a plan to generate a nationwide television broadcasting network, therefore contributing to the creation of Canale 5 in 1980, Italia Uno in 1982 and Rete 4 in 1984. He began his entrepreneurial career in 1975 with the company Elettronica Industriale, manufacturer of TV signal reception devices, creating repeater networks for foreign channels (TMC-TV, Svizzera Italiana, Telecapodistria) in Italy.

**Mario Rey.** Born in Ivrea (Turin), on 19 February 1938. Appointed Director of SOPAF in 2008. He is currently a professor of Financial Science at the faculty of Law of the University of Turin and Member of the Board of Directors of Fondazione CRT. He was previously Appointed, Associate and Ordinary Professor of Statistics and Financial Science at the faculty of law of Urbino and Turin.

**Luca Emilio Alessandro Magnoni.** Born in Milan on 11 January 1970. Graduated in Political Science at the University of Milan in 1995. Appointed Director of SOPAF with responsibility for investments in financial and insurance services from 2005. Before that, from 2001 to 2004 he was assistant to the CEO-Chairman of Totobit Informatica. From 2000 to 2001 he was Chief Executive Officer of Quantum 2 – Intek Group. From 1998 to 2000 he worked as an associate for Booz-Allen & Hamilton in their Rome, Barcelona and Riyadh offices. Previously, from 1995 to 1996 he was a financial analyst for Ramius Capital Group in New York. He began his career as assistant to the CEO of Cogis Trading Company in Milan.

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**Giovanni Jody Vender.** Born in Milan on 17 September 1950. Graduated in Business Economics at Bocconi University, Milan. In 1975 he founded SOPAF which, as CEO, he led to its listing on Borsa Italiana's MTA market in 1984. From 1978 to 2004 he was Professor of Finance at the Luigi Bocconi Business School in Milan. Currently and in the past he has held the office of Director in important companies such as Rinaldo Piaggio, Buitoni, Zanussi, Mondadori, Banca Nazionale dell'Agricoltura, Recordati, Sasib and G1 M-Generale Industrie Metallurgiche.

**Marco Stella.** Born in Milan on 18 February 1954. Graduated in Economics at the Sacro Cuore Catholic University, Milan. Appointed Director of SOPAF in November 2007. Before that, from 2001 to 2007 he was general manager of Lazard Ltd. and from 1993 to 1998 was head of the Corporate & Institutional Banking Division of Deutsche Bank S.p.A. Again in the investment banking sector, he also worked at Paribas Finanziaria S.p.A. and Banca d'America e d'Italia (Bank of America Group).

**Renato Martignoni.** Born in Pisticci (Matera) on 8 February 1954. Appointed Director of SOPAF in November 2007. He has worked in the real estate sector for over twenty years. He was Director of the construction company CO.E.MI scarl, FORMA URBIS S.p.A. and is currently Chairman of Gladstone S.p.A.

Listed below are the directorships held by Company Board Members in other companies listed on Italian and foreign regulated markets, in finance companies, banks or insurance companies or other large companies as at 31 December 2008.

<b>Name and surname</b>	<b>Office</b>	<b>Office held in companies other than the Issuer</b>
Giorgio Cirila	Chairman	Chairman of the Board of Directors, CIPA S.p.A. Chairman of the Board of Directors, IGI SGR S.p.A. Director, IMMSI S.p.A. Director, Italgo S.p.A. Director, Finalgo S.p.A. Director, Valvitalia S.p.A. Director, Valvitalia Holding S.p.A.
Giorgio Magnoni	Deputy Chairman and CEO	Chairman of the Board of Directors, Acqua Blu S.r.l. Director, Life Science Capital S.p.A. Director, Piaggio S.p.A. Supervisory Board Member, Management & Capitali S.p.A.
Guidalberto Guidi	Director	Chairman, G.M.G. Group s.r.l. Chairman, F.G.F. Finanziaria Generale Felsinea s.p.a. Director, Allianz S.p.A. Director, IGI sgr S.p.A.
Giancarlo Boschetti	Director	Director Azimut – Benetti S.p.A.
Renato Cassaro	Director	Chairman of the Board of Directors, IVRI Direzione S.p.A. Chairman of the Board of Directors, FINAP S.r.l.
Adriano Galliani	Director	Acting Deputy Chairman and CEO, AC Milan S.p.A.

		Chairman of the Board of Directors, Milan Entertainment S.r.l. Chairman of the Board of Directors, Milan Real Estate S.p.A.
Luca Emilio Alessandro Magnoni	Director	CEO Acqua Blu S.r.l.
Giovanni Jody Vender	Director	Sole Director, Alfabravo S.r.l. Director, Banca Network Investimenti s.p.a. Deputy Chairman, Essere S.p.A. Director, Essere Tutela s.r.l. Sole Director, Ven.Fin. S.p.A. Sole Director, Jove Invest S.r.l. Director, Coeclerici S.p.A. Director, Life Science Capital S.p.A. Director, Astor Investment Advisors S.r.l. Chairman of the Board of Directors, Magenta sgr s.p.a.
Renato Martignoni	Director	Director Polis Fondi S.g.r.p.

#### 4.3. Role of the Board of Directors

The by-laws envisage that the Board of Directors meets at least once a quarter (Article 20). During the year ending 31 December 2008, 10 meetings were held and 7 are planned for the next financial year. The overall percentage attendance of Directors at the meetings was approximately 82%, and for Independent Directors around 73%.

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 organisational, administrative and general accounting structure of the Company and of the strategically important subsidiaries, with particular reference to the internal audit system and to the management of conflicts of interest;
- c) assigns and revokes the powers of the CEOs 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 Remuneration Committee and having consulted the Board of Statutory Auditors, the compensation of the CEOs 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 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.

In accordance with Article 21 of the by-laws and the procedures for compliance with the obligations provided by Article 150, subsection 1 of Italian 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, on the general management performance, the business outlook, the most significant transactions carried out by the Company and the subsidiaries in terms of impact on earnings, financial position and capital, and any atypical or unusual transactions, transactions with related parties, or transactions involving a potential conflict of interest, providing sufficient information to allow appraisal of said transactions.

The procedure for compliance with obligations pursuant to Article 150, subsection 1, Italian Legislative Decree no. 58 of 24 February 1998 is available on the web site [www.sopafgroup.it](http://www.sopafgroup.it).

On 12 December 2005 the Company also established a Code of Conduct, the text of which can be found on the web site [www.sopafgroup.it](http://www.sopafgroup.it), amended slightly on 20 July 2006 with regard to related party transactions, including infragroup transactions. The principles adopted aim to guarantee material and procedural transparency in such transactions, providing the Board of Directors with adequate supporting information for related decisions.

#### **4.4. Delegated bodies**

##### *4.4.1. The Chairman*

Pursuant to Article 25 of the by-laws, the legal representation of the Company before third parties and the courts lies 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.

##### *4.4.2. The 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, no Executive Committee has been set up.

##### *4.4.3. Other Delegated Bodies*

On 14 May 2007, the Board of Directors resolved, amongst other things:

- to grant Board Member, Luca Magnoni, the following separate signatory powers to be exercised within the consumer credit sector, and therefore referring only to associated companies Delta S.p.A. and Essere S.p.A.:

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1. to subscribe share capital increases in Essere S.p.A. associated companies, exercising the related option rights also for any options not exercised by other shareholders; to make payments, including unsecured payments, with regard to Essere S.p.A. associated companies, all up to a maximum EUR 1,500,000 per transaction;
2. to set up temporary associations of companies, consortiums, joint ventures and business combinations in any legal form, also based on foreign law, establishing the related by-laws, agreements, regulations, clauses and terms, appointing corporate bodies, executing all related transactions and signing all documents, contracts, agreements and other necessary documents;
3. to act as legal representative and perform all action required by Public Administrations, Public Authorities and Institutions;
4. to sign all declarations and documents required to perform all activities and comply with all legal obligations of the Company with regard to CONSOB, Borsa Italiana, Bank of Italy, Italian Exchange Control, Antitrust Authorities and Chambers of Commerce;
5. to maintain all relations with trade unions, stipulating specific and collective agreements and resolving any individual disputes;
6. to sign ordinary Company correspondence;
7. to appoint proxies to perform one or more actions or categories of actions within the scope of his delegated powers, and to cancel such appointments.

On 13 December 2007, the Board of Directors resolved, amongst other things:

- to grant the following separate signatory powers to the Deputy Chairman and CEO, Giorgio Magnoni:
  1. to incorporate companies and consortiums in any legal form, also based on foreign law, joint ownerships and collective undertakings, establishing the related by-laws, agreements, regulations, clauses and terms, appointing corporate bodies, executing all related transactions and signing all documents, contracts, agreements and other necessary documents; all of which up to a maximum EUR 3,000,000 per transaction;
  2. to establish and invest in placement and guarantee consortiums, all up to a maximum of EUR 3,000,000 per transaction;
  3. to subscribe share capital increases in associated companies, exercising the related option rights also for any options not exercised by other shareholders; to make payments, including unsecured payments, with regard to associated companies, all up to a maximum EUR 7,000,000 per transaction;
  4. to purchase and sell investments in companies and consortiums, units of collective undertakings, executing all related transactions and signing all documents necessary, all up to a maximum EUR 3,000,000 per transaction;
  5. to attend ordinary and extraordinary shareholders' meetings and meetings of decision-making bodies of companies, temporary associations of companies, consortiums, collective undertakings and in general of all public and private organisations and associations in which the Company holds an investment, or in relation to which the



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Company has the right to attend and/or vote; to appoint proxies also with full freedom to vote;

6. to stipulate with appropriate clauses, amend or cancel contracts concerning the purchase, disposal and leasing of companies and business units, and the purchase and disposal of contracts, debts and/or loans, all up to a maximum of EUR 3,000,000 per transaction;
7. to set up temporary associations of companies, consortiums, joint ventures and business combinations in any legal form, also based on foreign law, establishing the related by-laws, agreements, regulations, clauses and terms, appointing corporate bodies, executing all related transactions and signing all documents, contracts, agreements and other necessary documents;
8. to allocate and receive interest-free or interest-bearing loans to and from Company subsidiaries, all up to a maximum EUR 7,000,000 per transaction;
9. to request guarantees in favour of the Company and its subsidiaries from banks and insurance companies, negotiating all terms and conditions, all up to a maximum EUR 7,000,000 per transaction;
10. to issue guarantees, including letters of patronage and sureties, solely in the interests of Company subsidiaries and associated companies. To pledge and accept pledges with regard to investments in companies, or other financial instruments. All up to a maximum EUR 7,000,000 per transaction;
11. to stipulate with appropriate clauses, amend, cancel, transfer and accept on transfer and terminate due to withdrawal preliminary and final real estate purchase and sale agreements and exchanges, all up to a maximum EUR 5,000,000 per transaction;
12. to stipulate with appropriate clauses, amend, cancel, transfer and accept on transfer and terminate due to withdrawal, preliminary and final commodity and asset purchase, sale and swap agreements, including registered commodities and assets, all up to a maximum EUR 5,000,000 per transaction;
13. to stipulate with appropriate clauses, amend, cancel, transfer and accept on transfer and terminate due to withdrawal, preliminary and final agreements concerning: (i) appointment under sub-mandate or sub-assignment for the execution, wholly or in part, of mandates and/or assignments conferred upon the Company, (ii) the commissioning of public works contracts or services in general, (iii) the purchase of marketing, promotion and advertising services in general, (iv) the purchase of professional services, (v) the acceptance or granting of real estate leases, including leases with a duration of more than 9 years, or real estate on free loan, (vi) the establishment of active and passive rights of use, surface areas and easements, (vii) the insurance of persons, property and effects in general against all forms of damage or risk, all up to a maximum EUR 5,000,000 per transaction;
14. to consent to restrictions, cancellations and endorsement of mortgages, privileges, loans and other real guarantees, exempting all related holders of registries from all liability with regard to the execution of related formalities, all up to a maximum EUR 5,000,000 per transaction;
15. to undersign insurance claims, request quotes and expert reports, appoint experts, represent the Company in adversarial processes with insurance companies and

- technical experts, pay insurance premiums, agree and accept, also as settlements, the value of damages and indemnities, collect sums paid as compensation and issue related receipts;
16. to act as legal representative and perform all action required by Public Administrations, Public Authorities and Institutions;
  17. to arrange payment of settlements, duties, taxes, default interest, penalties, fines, sanctions and levies;
  18. to receive or pay sums on deposit or as guarantees, confirmation deposits and deposits in general;
  19. to perform any credit or debit transaction with banks, i.e.: (i) the opening and closure of current or transaction account, demand deposits, restricted deposits and savings deposits with banks and finance companies, post offices and other organisations, (ii) to order transactions on Company current accounts, also with regard to overdraft withdrawals provided these are within the limits of credit allocated, and to issue promissory notes and drafts, (iii) to negotiate and demand bills of exchange, promissory notes, cheques, bonds, mandates, warrants, pledges and any other trade-related security or effect, signing related documents, endorsements and receipts, (iv) to pay sums into current or deposit accounts held by the Company with banks, finance companies, post offices and other organisations, (v) to endorse cheques, bills of exchange and drafts, warrants, credit notes and other securities for collection or discount by banks, (vi) to contest cheques, effects and other securities;
  20. to manage subscribed and existing loan agreements, negotiate and implement interest rates and periods;
  21. to claim and collect or withdraw credit, interest, profits and dividends, cash sums and securities, and to issue related receipts;
  22. to request and obtain from banks, financial companies and similar, mortgages, loans, lines of credit in any form, e.g. credit line opening, advances, credit limits, banking discounts, all up to a maximum EUR 15,000,000 per transaction;
  23. to perform all documents and transactions with regard to fiscal, currency, anti-money laundering and tax matters with central and branch offices of State Financial Administration authorities, and to represent the Company in such matters before Tax and Appeal Tribunals, all of which with full power to act in terms of the submission of claims and documents, instigation of proceedings, appeals and challenges, the negotiation and definition of each case, also with regard to controls performed by finance departments and adoption of their requirements, claims for reimbursement, and the signing of all related documentation;
  24. to sign all declarations and documents required to perform all activities and comply with all legal obligations of the Company with regard to CONSOB, Borsa Italiana, Bank of Italy, Italian Exchange Control, Antitrust Authorities and Chambers of Commerce;
  25. to recruit and dismiss employees, decide upon employee salaries, and appoint managers;

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26. to comply with all current labour law requirements, particularly with regard to insurance, indemnities, contributions, duties, tax and similar;
27. to sign all documentation regarding the completion of formalities in the management of social security, health and welfare services;
28. to maintain all relations with trade unions, stipulating specific and collective agreements and resolving any individual disputes;
29. to sign proceedings papers, claims, appeals, declarations, requests, accompanying letters to pension claims and other documents for the Istituto Nazionale per l'Assicurazione contro gli Infortuni sul Lavoro (INAIL, Accident Insurance Authority), Istituto Nazionale Previdenza Sociale (INPS, Social Security), the Italian National Health Service and other insurance and welfare organisations, also representing the Company in matters of social liability insurance with express powers to reach agreements and conciliate;
30. to participate in all civil, penal and administrative disputes on labour, employment, social security, welfare, accident insurance and occupational health matters and, as required, represent the Company before any legal authority, constitutional court, provincial and regional employment offices, conciliation and arbitration chambers, and all other relevant authority, also in conciliation attempts, with full power to reach agreements and conciliate;
31. to exercise the right to instigate legal proceedings, submit claims and counterclaims and to bring civil action during criminal proceedings;
32. to submit third party declarations pursuant to Article 547 of the Code of Civil Procedure or oral or written testimony pursuant to Article 244 and thereafter of the Code of Civil Procedure to legal authorities;
33. to reach agreements and defer settlement of disputes to arbitration, instigate voluntary arbitration proceedings, accept conciliations, represent the Company in Italy and abroad in any case or proceedings, including executive and preliminary proceedings, before any legal authority of any level of jurisdiction, also before Courts of Appeal, taking all action necessary to further such cases or proceedings and thereby appointing lawyers, representatives ad litem and arbitrators, in cases of ritual arbitration, amicable settlement, voluntary and equity arbitration; to implement and accept waiver of legal proceedings; to levy protests and request legal foreclosure, seizure and distraint, to represent the Company in any bankruptcy proceedings, submit creditor claims in executive and bankruptcy proceedings, confirm the true and real existence of sums owing to the Company, to lay legal claim to preferential repayment of sums owing to the Company, to take action and vote on arrangements in all bankruptcy proceedings, and to elect special domicile;
34. to sign ordinary Company correspondence;
35. to appoint proxies to perform one or more actions or categories of actions within the scope of his delegated powers, and to cancel such appointments;
- to grant the Chairman of the Board of Directors, Giorgio Cirila, joint signatory powers to be exercised either with the Deputy Chairman and CEO, Giorgio Magnoni, or with the Deputy Chairman and CEO Giorgio Magnoni and with the Board Member Marco

Stella in emergency situations and after consulting the Chief Operating Officer, Giovanni Caruso:

1. to incorporate companies and consortiums in any legal form, also based on foreign law, joint ownerships and collective undertakings, establishing the related by-laws, agreements, regulations, clauses and terms, appointing corporate bodies, executing all related transactions and signing all documents, contracts, agreements and other necessary documents; all of which up to a maximum EUR 5,000,000 per transaction;
2. to establish and invest in placement and guarantee consortiums, all up to a maximum of EUR 5,000,000 per transaction;
3. to subscribe share capital increases in associated companies, exercising the related option rights also for any options not exercised by other shareholders; to make payments, including unsecured payments, with regard to associated companies, all up to a maximum EUR 10,000,000 per transaction;
4. to purchase and sell investments in companies and consortiums, units of collective undertakings, executing all related transactions and signing all documents necessary, all up to a maximum EUR 5,000,000 per transaction;
5. to stipulate with appropriate clauses, amend or cancel contracts concerning the purchase, disposal and leasing of companies and business units, and the purchase and disposal of contracts, debts and/or loans, all up to a maximum of EUR 5,000,000 per transaction;
6. to allocate and receive interest-free or interest-bearing loans to and from Company subsidiaries, all up to a maximum EUR 10,000,000 per transaction;
7. to request guarantees in favour of the Company and its subsidiaries from banks and insurance companies, negotiating all terms and conditions, all up to a maximum EUR 10,000,000 per transaction;
8. to issue guarantees, including letters of patronage and sureties, solely in the interests of Company subsidiaries and associated companies. To pledge and accept pledges with regard to investments in companies, or other financial instruments. All up to a maximum EUR 10,000,000 per transaction;
9. to appoint proxies to perform one or more actions or categories of actions within the scope of the delegated powers, and to cancel such appointments;
- to grant the following joint signatory powers to the Chairman of the Board of Directors, Giorgio Cirila, and the Deputy Chairman and CEO, Giorgio Magnoni, for exercise after consulting the Chief Operating Officer, Giovanni Caruso:
  1. to dispose of and, more in general, transfer investments in companies with securities traded on Regulated Markets, and investments in companies holding only securities in listed companies, all to a maximum of EUR 50 million per transaction, and provided that the internal rate of return (IRR) for the Company is at least equal to 15% of the capital invested;
  2. to appoint proxies to perform one or more actions or categories of actions within the scope of the delegated powers, and to cancel such appointments.

#### **4.5. Executive Directors**

The Company's Board of Directors is composed of Executive and Non-Executive Directors. For the definition of Executive Director, reference should be made to the provisions of Article 2 of the Corporate Governance Code.

As at 31 December 2008, the Non-Executive Directors (Giorgio Cirila, Giancarlo Boschetti, Renato Cassaro, Adriano Galliani, Mario Rey, Guidalberto Guidi, Renato Martignoni and Giovanni Jody Vender) are, in terms of numbers (eight out of eleven) and influence, sufficient to guarantee significant weight being given to their opinion in decisions of the Board of Directors.

The Executive Directors are Giorgio Magnoni, Marco Stella and Luca Magnoni.

#### **4.6. Independent Directors**

The Company's Board of Directors is composed of independent and non-independent Directors. For the definition of Independent Director, reference should be made to Article 3 of the Corporate Governance Code and to Article 147-ter, subsection 4, Italian Legislative Decree no. 58 of 24 February 1998.

As at 31 December 2008, board members Guidalberto Guidi, Renato Cassaro, Adriano Galliani and Mario Rey are Independent Directors, and the Board has arranged the periodic monitoring of related independence requisites.

#### **4.7. Lead Independent Director**

The Company has not appointed a lead independent director, pursuant to Article 2.C.3. of the Corporate Governance Code, as the Chairman of the Board of Directors is a non-executive Director, without a controlling interest in the Issuer.

### **5. *Treatment of corporate information***

On 12 December 2005 the Board of Directors adopted guidelines on the internal control and external disclosure of confidential information. It should also be mentioned that on 27 September 2006, the Board of Directors adopted extensive external communications and internal control procedures with regard to confidential information, including inside information as defined in Article 181, Italian Legislative Decree no. 58 of 24 February 1998. This procedure is available on the web site [www.sopafgroup.it](http://www.sopafgroup.it).

In compliance with the provisions of Article 115-bis, Italian Legislative Decree no. 58 of 24 February 1998, the Company has also set up the Register of persons with access to inside information. A special procedure governs register-keeping and data management criteria.

Again pursuant to Article 114, subsection 7, Italian Legislative Decree 58 of 24 February 1998, the Company has adopted an Internal Dealing Code governing the management, treatment and disclosure of information on share-related transactions and on other financial instruments implemented by relevant persons. The text of the Internal Dealing Code can be found on the web [www.sopafgroup.it](http://www.sopafgroup.it).

### **6. *Internal Committees of the Board of Directors***

#### **6.1. Appointments Committee**

The Company has not established an Appointments Committee from within the Board of Directors, pursuant to Article 6.P.2. of the Corporate Governance Code as it is considered that,

given the share structure of the Company, there is no risk of problems in identifying candidates for appointment to directorships, and the compulsory list voting procedure, also specified in the Issuer's by-laws, guarantees transparency in the process of selecting and appointing directors.

## **6.2. The Remuneration Committee and the Internal Audit and Corporate Governance Committee**

In compliance with the Code, on 12 December 2005 the Board of Directors established the Remuneration Committee and the Internal Audit and Corporate Governance Committee to cover a consulting and proactive role. The duties and composition of these Committees were updated by Board of Directors' resolution of 20 July 2006, also in adaptation to the new March 2006 version of the Code.

As at 31 December 2008, the Remuneration Committee is composed of three Non-Executive and Independent Directors: Guidalberto Guidi, Renato Cassaro and Mario Rey.

The Remuneration Committee's responsibilities include:

- submitting to the Board of Directors proposals for remuneration of the CEO and other Directors having specific responsibilities, including the Chairman, and monitoring application of the decisions taken by the Board;
- periodic assessment of the criteria adopted for remuneration of managers with strategic responsibilities, monitoring application of such criteria on the basis of information supplied by the CEO and formulating general recommendations on the subject to be given to the Board of Directors;
- with specific reference to stock options and other share-based payment incentive plans, the Remuneration Committee presents its recommendations to the Board in relation to the use of such plans and all the significant technical aspects related to their formulation and application. In particular, the Committee makes proposals to the Board about the incentive plan 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 Remuneration 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 need not be a member of the committee;
- The Board of Statutory Auditors and the CEO participate in the Committee's meetings. The foregoing applies without prejudice to the CEO's commitment to leave the meetings in the event of any conflicts of interest.

The Remuneration Committee meets whenever the Chairman deems it appropriate or another member or the CEO requests the Chairman to convene a meeting.

During the year ending 31 December 2008, a meeting of the Remuneration Committee was held on 29 February 2008. On this occasion, the Remuneration Committee met to assess and submit proposals to the Board of Directors on proposed fees payable to the Chairman Giorgio Cirila, to the Deputy Chairman and CEO Giorgio Magnoni and to Board Member Luca Magnoni for the specific offices held.

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As at 31 December 2008, the Internal Audit and Corporate Governance Committee is composed of three Non-Executive and Independent Directors, at least one of whom with adequate experience in accounting and financial matters. The members of this Committee are Guidalberto Guidi, Renato Cassaro and Adriano Galliani.

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

- a) defines the guidelines for the internal audit system, so that the main risks related to the Company and its subsidiaries are correctly identified, and adequately measured, managed and monitored, also determining the criteria of compatibility of such risks with proper and prudent business management;
- b) identifies a Director to oversee the operability of the internal audit system; to date, such function has been entrusted to the Chairman of the Board of Directors Giorgio Cirila;
- c) evaluates, at least annually, the adequacy, efficacy and effective running of the internal audit system;
- d) describes in the corporate governance report, the essential elements of the internal audit system, rendering its opinion on the overall adequacy of the same.

In addition to assisting the Board of Directors with the tasks listed in letters a) - d) above, the Internal Audit 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 therefore, 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 audit system;
- (iii) examines the work plan prepared by those in charge of internal audit, as well as the period reports prepared by the same;
- iv) evaluates the proposals drawn up by the independent auditors 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 interim financial statements), with regard to both the activity carried out and the adequacy of the internal audit system.

The following rules apply regarding the make-up and the functioning of the Internal Audit 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 need not be a member of the Committee;

- The Committee meets at least every six months (prior to the Board of Directors meetings convened for approving the annual and interim financial statements), and whenever 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 audit 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 2008 the Internal Audit and Corporate Governance Committee met on 13 May 2008 to discuss (i) assessment of correct use of the accounting standards and their standardisation for the purposes of drawing up the consolidated financial statements, (ii) examination of the report on corporate governance and report to the Board of Directors on the activity performed and on the adequacy of the internal audit system, (iii) examination of the report of the head of internal audit and (iv) examination of the annual report of the Supervisory Board.

On 23 July 2008, a further meeting of the Internal Audit and Corporate Governance Committee was held to (i) consider the information on Banca Network Investimenti S.p.a., (ii) consider the information on Delta S.p.A., (iii) provide information on performance of the investments, (iv) assess the activity of the Head of Internal Audit – update of audit plan.

Lastly, the Internal Audit and Corporate Governance Committee met on 28 August 2008 to (i) assess correct use of the accounting standards and their standardisation for the purposes of drawing up the consolidated Half Year Report as at 30 June 2008 and (ii) examine the Half Year Report of the Supervisory Board.

## **7. Directors' Remuneration**

With regard to Directors' Remuneration, Article 18 of the by-laws states that, in addition to the fee established by the shareholders' meeting, Directors are entitled to the reimbursement of expenses incurred for official duties. Where the shareholders' meeting does not establish a global amount of remuneration payable to all the Directors, including those with special office, in addition to the individual remuneration established by the shareholders' meeting and reimbursement of expenses for official duties, the latter are entitled to the additional amount, decided by the Board of Directors according to the proposal of the Remuneration Committee and after consulting the Board of Statutory Auditors.

On 4 May 2007 the Company shareholders' meeting established the sum of EUR 30,000 as the gross fee payable per year to each Board Member, without prejudice to additional remuneration as permitted under Article 2389, subsection 2 of the Italian Civil Code for Directors holding special office.

For an analytical identification of remuneration paid to Directors with special office during the year ending 31 December 2008, reference should be made to the explanatory notes to the financial statements as at 31 December 2008.

It should also be mentioned that no incentive schemes were envisaged for CEOs and General Managers for the year ending 31 December 2008.



## 8. *The Internal Audit System*

The internal audit system consists of all of the rules, procedures, and organisational 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.

On 20 July 2006 the Board of Directors appointed Giorgio Cirila as the Director responsible for supervision of the internal audit system.

Acting on the proposal of the Director in charge of overseeing the running of the internal audit system and having consulted the Internal Audit and Corporate Governance Committee, the Board of Directors appoints, and revokes the appointment of, one or more persons in charge of internal audit and defines their remuneration 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 di Giuseppe Mario Ruscio & C. S.a.s., to handle the internal audit and to act as the Head of the Internal Audit.

The Director in charge of overseeing the running of the internal audit 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, realisation and management of the internal audit 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 appointment, and remuneration of one or more persons in charge of internal audit.

The persons in charge of internal audit:

- a. are entrusted with verifying that the internal audit 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 Audit and Corporate Governance Committee and the Board of Statutory Auditors. In particular, they report on the procedures through which the management of risks is handled, as well as on the respect of plans defined for containing risks and express an opinion on the extent to which the internal audit system is suitable for achieving an acceptable total risk profile.

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

## **9. *Organisational Model pursuant to Italian Legislative Decree 231/2001***

On 27 December 2006 the Board of Directors approved the General Principles of the Organisational Model pursuant to Italian Legislative Decree 231/2001 (regarding the administrative liability of companies for offences committed by key officers or employees), a model that reflects a structured system based on specific Company needs and characteristics that implements all reasonable measures to avoid the risk of offences and to highlight any situation that fails to comply with procedures established in the organisational models. The Board also approved the Code of Ethics on the same date. The text of the General Principles of the Organisational Model pursuant to Italian Legislative Decree 231/2001 and the Code of Ethics are published on the web site [www.sopafgroup.it](http://www.sopafgroup.it).

On 13 November 2007 the Board of Directors approved the Organisational Model 231/2001 (available on the Company web site [www.sopafgroup.it](http://www.sopafgroup.it)) setting up the Supervisory Board. The members of the Supervisory Board currently in office are Mario Rey, Giuseppe Ruscio and Paolo Marsigli.

## **10. *Independent Auditors***

On 7 May 2002, the Company's ordinary shareholders' meeting appointed independent auditors Deloitte & Touche S.p.A. to perform the audit for the three-year period 2002-2004, later extended to include the financial years 2005-2007 by resolution of the shareholders' meeting of 28 October 2004.

Pursuant to Article 8, subsection 7 of Italian Legislative Decree 303/2006, on 4 May 2007 the ordinary shareholders' meeting expressed opinion in favour of extending the Deloitte & Touche S.p.A. assignment to audit the separate and consolidated financial statements for the years 2007-2009.

## **11. *Executive responsible for the preparation of corporate accounting documents***

In compliance with Article 154-*bis*, Italian Legislative Decree no. 58 (introduced by Article 14, Italian Law no. 262 of 28 December 2005), on 10 November 2006 the ordinary shareholders' meeting approved the introduction of a special clause in the by-laws (Article 26) providing that the Board of Directors appoints, subject to favourable opinion of the Board of Statutory Auditors, an executive responsible for the preparation of corporate accounting documents, granting sufficient powers and means to perform the assigned duties.

On 18 June 2007 the Board of Directors appointed Alberto Ciaperoni, the Company's Chief Financial Officer as executive responsible for the preparation of corporate accounting documents until expiry of the current Board of Directors, after having verified his possession of the professional requisites established by current regulations on such matters.

## **12. *Shareholders' Meetings***

Article 13 of the corporate by-laws provides that an ordinary meeting of the shareholders is convened at least once a year, with one hundred and twenty days of 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 extended to one hundred and eighty days. The meetings of the shareholders are to be held in the municipality in which the Company has its registered office and at the venue established in the meeting notice, or in another municipality and venue 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 venue of the meeting and the list of the matters to be covered. The meeting notice is to be published in the Official Gazzette 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 shareholders' meeting regulation governing the conduct of meetings, the text of which is published on the web site [www.sopafgroup.it](http://www.sopafgroup.it).

### ***13. Directors' investments and related party transactions***

The execution of infragroup and related party transactions is subject to prior approval of the Board of Directors, after consulting the Internal Audit and Corporate Governance Committee, except in cases where such transactions are considered typical, normal and are concluded under standard conditions.

Typical or normal transactions are those which, due to their reason or nature, do not fall outside the boundaries of normal Company business and those not giving rise to particularly critical elements as a result of their characteristics or the risks relating to the nature of the counterparty or their timing. Standard transactions are those concluded under the same conditions applied by the Company to third parties.

The Board of Directors receives adequate information on the nature of the relation, the underlying interest and on the execution methods of transactions (including the economic terms and conditions for their implementation), particularly with regard to the adopted assessment procedures.

Where necessary due to the nature, value or other characteristics of the transaction, in order to ensure that the agreed terms of the transaction are no different from those that would be applied if negotiated between unrelated parties, the Board of Directors arranges for the transaction to be concluded with the support of independent experts for valuation of the assets and for financial, legal or technical consulting.

For infragroup and related party transactions that are not submitted to the Board of Directors, insofar as they are typical, normal and concluded under standard conditions, without prejudice to compliance with the special procedure indicated in Article 150, subsection 1 of Italian Legislative Decree no. 58 of 24 February 1998, adequate information on the nature of the relation, the execution method and valuation method of the transaction is recorded.

Also through its delegated bodies, the Board of Directors therefore issues a quarterly written report (the "**Report on Disclosures**") to the Board of Statutory Auditors on, amongst other things, related party transactions other than infragroup transactions.

Specifically, with regard to related party transactions other than infragroup transactions, the underlying interest is emphasised and the execution method of the transactions is illustrated (including the economic terms and conditions for their implementation), particularly the valuation methods adopted.

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Taken into account as related party transactions for the purpose of this procedure are those implemented by Sopaf or its subsidiaries with the following:

- a. direct and indirect parties to shareholders' agreements regarding the exercise of voting rights, pursuant to Article 122, subsection 1 of the Consolidated Law on Finance, if such agreements result in their having overall control;
- b. Sopaf associated companies pursuant to Article 2359, subsection 3 of the Italian Civil Code;
- c. entities with direct or indirect possession of an interest equal to or more than 10% of share capital represented by Sopaf ordinary shares;
- d. entities which, though directly or indirectly in possession of an interest lower than that indicated under point c. above, could appoint, via shareholders' agreements and either alone or in concert with other parties to the agreements, the majority of members of the Sopaf Board of Directors;
- e. entities which, though directly or indirectly in possession of an interest lower than that indicated under point c. above, hold, via shareholders' agreements and either alone or in concert with other parties to the agreements, the majority of votes exercisable at Sopaf ordinary shareholders' meetings;
- f. members of the Board of Directors and Standing Auditors of Sopaf, General Managers and all persons reporting directly to the CEOs or General Managers;
- g. close family members of natural persons indicated in points c, d, e and f above.  
Close family members are those potentially able to influence, or be influenced by, a natural person linked to Sopaf in their relations with the Company, including cohabiting partners. In any event a close family member includes a spouse if not legally separated and relatives up to the second degree of kinship or affinity;
- h. companies in which the entities indicated under points c to g above possess a direct or indirect interest equal to or more than 10% (if a listed company) or 20% (if unlisted) of the share capital represented by shares with voting rights at the ordinary shareholders' meeting;
- i. companies in which entities indicated in points c to g above, though directly or indirectly in possession of an interest lower than that indicated under point h. above, could appoint, via shareholders' agreements and either alone or in concert with other parties to the agreements, the majority of members of the Board of Directors of that company;
- j. companies in which entities indicated in points c to g above, though directly or indirectly in possession of an interest lower than that indicated under point h. above, hold, via shareholders' agreements and either alone or in concert with other parties to the agreements, the majority of votes exercisable at the ordinary shareholders' meetings of that company;
- k. companies in which the entities indicated in points c to g above hold a strategic management post, and their subsidiaries;
- l. companies for which the majority of directors are in common with those of Sopaf.

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Transactions of more than EUR 500 thousand and, even if the value is lower, those concluded under non-standard conditions executed directly or through third parties with Sopaf related parties are subject to disclosure.

## **14. Appointment of Statutory Auditors**

The Board of Statutory Auditors is normally composed of three Standing Auditors and two Alternate Auditors. Again to encourage the participation of minority investors in the life of the company, appointment of the Board of Statutory Auditors is based on lists that may be submitted by all shareholders in possession, individually or jointly, of at least 2.5% of share capital with voting rights at the ordinary shareholders' meeting. These lists must be filed with the Company's registered office at least fifteen days before the date established for the shareholders' meeting in first call. The election of one Standing Auditor and one Alternate Auditor is therefore reserved to minority interests.

Appointment as Chairman of the Board of Statutory Auditors falls to the first candidate on the list obtaining the highest number of votes.

If only one list is filed, the Board of Statutory Auditors will be appointed by majority vote based on the candidates included in that list. The Chairman of the Board of Statutory Auditors would in this case be the first candidate on that list.

## **15. Statutory Auditors**

The Board of Statutory Auditors is currently composed of three Standing Auditors and two Alternate Auditors.

On 12 May 2008 Marco Salvatore tendered his resignation from the position of alternate auditor.

With the shareholders' meeting of 28 June the mandate of the Standing Auditor Riccardo Ronchi, who had succeeded to the office of the resigning Standing Auditor Paolo Gualtieri, expired. The aforesaid shareholders' meeting appointed Enrico Grosso as Standing Auditor and Riccardo Ronchi as Alternate Auditor.

On 29 August 2008 Giovanni Sala tendered his resignation from the office of Chairman of the Board of Statutory Auditors, and on 1 September 2008 Riccardo Ronchi (formerly Alternate Auditor) succeeded to the office.

The current Board of Statutory Auditors will remain in office until approval of the financial statements as at 31 December 2008.

<b>Name and surname</b>	<b>Office</b>	<b>Domicile</b>
Riccardo Ronchi	Chairman of the Board of Statutory Auditors	Milan, Via Conca del Naviglio, 29
David Reali	Standing Auditor	Milan, Via Giovanni da Procida, 5
Enrico Grosso	Standing Auditor	Turin, Via Cernia, 40
Francesco Dori	Alternate Auditor	Milan, Corso Matteotti, 8

The overall attendance of Auditors at the Board of Statutory Auditors meetings was 100%, and approximately 80% attendance at Board of Directors meetings.

Provided below is a short curriculum vitae for each member of the Board of Statutory Auditors, indicating the skills and experience matured.

**Riccardo Ronchi.** Born in Milan on 17 June 1960. Graduated in Economics at Luigi Bocconi University in Milan, he has been included on the Italian accounting profession register since 1991 and is registered on the List of Auditors. From 1986 to 1990 he was an auditor with Coopers & Lybrand. Since 1991 he has worked as a chartered accountant in Milan. During his career he has mainly provided corporate and tax consulting services to industrial companies. With specific regard to corporate reorganisations he has collaborated in the study and implementation of a great many investment acquisitions and disposals, mergers, transfers, company disposals and spin-offs, also on behalf of leading multinational groups. He has also provided and collaborated in expert reports on industrial companies.

**David Reali.** Born in Forlì on 21 January 1966. Graduated at Luigi Bocconi University in Milan in 1988, he has been included on the register of the Italian accounting profession since 1989 and the List of Auditors since 1995. He is a partner of Studio Chiaravalli, Reali e associati - Chartered Accountants. Specialised in accounting, taxation, corporate affairs and financial statements, he has also published several articles on tax matters, amongst other things as a collaborator of the Italia Oggi daily newspaper, and Il Fisco and Rivista dei Dottori Commercialisti magazines. He has been a speaker at conferences organised by the Italian Accounting Profession of Milan and by the Bocconi Business School. He is a tax consultant for companies in the industrial, commercial, financial and services sectors and has for many years been a member of the teaching staff in the Industrial and Business Economics Institute of Bocconi University in Milan.

**Enrico Grosso.** Born in Turin on 12 September 1966. Appointed Standing Auditor of SOPAF in 2008. He is currently Ordinary Professor of Constitutional Law at the Faculty of Law of the University of Turin. A barrister before the higher courts, he is registered in the Turin Bar; Director of the Fondazione per il libro, la musica e la cultura with head office in Turin; member of the Board of Directors of the ICER economic research centre; member of the Advisory Board of Fondazione Cassa di Risparmio di Torino.

**Francesco Dori.** Born in Milan on 7 April 1962. Graduated in Economics and Banking Science at the Catholic University in Milan in 1988, and has been included in the Italian accounting profession register since 1991. During his career he has mainly provided corporate and tax consulting services for real estate and industrial companies, also collaborating in the study and implementation of investment acquisitions and disposals, mergers, transfers, company disposals and spin-offs, also on behalf of leading multinational groups. Since 1991 he has worked as a chartered accountant in Milan.

Listed below are the offices held by members of the Board of Statutory Auditors in other companies listed on Italian and foreign regulated markets, in finance companies, banks or insurance companies.

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<b>Name and surname</b>	<b>Office</b>	<b>Position in the company</b>
Riccardo Ronchi	Standing Auditor	Chairman of the Board of Statutory Auditors Arcelor Mittal Italy Holding S.r.l. Chairman of the Board of Statutory Auditors Petunia S.p.A. Standing Auditor CIPA S.p.A. Standing Auditor Gewiss S.p.A. Standing Auditor V.P. Holding S.p.A. Standing Auditor CIPA S.p.A.
David Reali	Standing Auditor	Chairman of the Board of Statutory Auditors SAECO International Group S.p.A. Chairman of the Board of Statutory Auditors Gruppo COIN S.p.A Chairman of the Board of Statutory Auditors COIN S.p.A. Chairman of the Board of Statutory Auditors Oviessa S.p.A. Chairman of the Board of Statutory Auditors SAECO Vending S.p.A. Chairman of the Board of Statutory Auditors di Coin Franchising S.p.A. Chairman of the Board of Statutory Auditors di Bellico S.r.l. Standing Auditor Banca Network Investimenti s.p.a..
Francesco Dori	Alternate Auditor	Chairman of the Board of Statutory Auditors Padana Est S.p.A. Chairman of the Board of Statutory Auditors Ribbon S.r.l. Chairman of the Board of Statutory Auditors V.P. Holding S.p.A. Chairman of the Board of Statutory Auditors Schwarz Pharma S.p.A. Standing Auditor Arcelor Piombino S.p.A. Standing Auditor Boffi S.p.A. Standing Auditor Boffi Trade S.p.A. Standing Auditor SO.GE.PAR S.p.A. Standing Auditor Value Team S.p.A. Standing Auditor Sodexho Italia S.p.A. Standing Auditor Arcelor Italy Holding S.r.l. Standing Auditor ICF S.p.A. Standing Auditor Cari Zeiss S.p.A. Standing Auditor Value Partnm S.p.A.

**16. *Relations with shareholders and institutional investors***

Relations with shareholders and institutional investors are the responsibility of a dedicated department, Corporate Communication, which can be contacted as follows:

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Milan, 30 March 2009