



CORPORATE GOVERNANCE REPORT

pursuant to Article 123-*bis* of the Finance Consolidation Act

(traditional management and control model)

Issuer: **ASTALDI S.p.A.**

Website: **www.astaldi.it**

Financial year report refers to: **2009**

Approval date of report: **24 March 2010**

1. ISSUER'S PROFILE

This year, the corporate governance model adopted by Astaldi S.p.A. (hereinafter "Astaldi") is once again in line with the principles contained in the "*Self-Regulation Code for Listed Companies*" – drawn up by Borsa Italiana S.p.A. in October 1999 and subsequently amended and expanded – with the recommendations drawn up by CONSOB in this regard and, more generally, with international best practices.

In accordance with the instructions issued by Borsa Italiana S.p.A., please find below a description of Astaldi S.p.A.'s corporate governance system, updated with the main events subsequent to the end of the 2009 financial year.

MISSION

Satisfying customers' needs, achieving growth targets to increase Company value and providing the market with a suitable response: this is the mission set by Astaldi which has been committed to **creating ongoing progress** for over 80 years.

Reliability, the application of strict high-level standards, full compliance with the environmental laws and social customs of each country and sharing of technological know-how. This is the image Astaldi aims to export throughout the world, and these are the guidelines of a Company that has always stood out for its expertise, moral conduct and professionalism. These are the qualities that have allowed Astaldi Group to become a leader in the concessions and general contracting sectors, achieving excellence in works acknowledged the world over.

Astaldi Group has always been committed to finding architectural and management solutions that respect the social fabric of the countries it operates in, transmitting a method of operating to local populations that will be applied to the design and construction of other works, even those the Group is not directly involved in. **Today, there are thousands of people the world over who have worked with Astaldi, benefitting from training that continues to contribute to social and economic development.** Therefore, the Group's major work does not end with closure of the work site, but continues into the future.

Italy, Turkey, Romania, Bulgaria, Algeria, Venezuela, as well as Poland, Saudi Arabia, Qatar, the United Arab Emirates, Central America and the United States of America: **over 11,000 employees distributed throughout 4 continents are working to build ongoing progress, including right now.**

2. INFORMATION regarding OWNERSHIP STRUCTURE as at 24 March 2010
(pursuant to Article 123 bis of the Finance Consolidation Act)

a) Share capital structure (pursuant to Article 123-bis, paragraph 1, letter a), Finance Consolidation Act)

Total in EUR of share capital subscribed and paid-in: **EUR 196,849,800.00.**

Said share capital is split into 98,424,900 ordinary shares with a nominal value of EUR 2 per share.

Categories of shares comprising the share capital: ordinary shares with voting rights.

No other financial instruments which attribute the right to subscribe newly-issued shares have been issued.

No share-based incentive schemes involving share capital increases, including free share capital increases, have been introduced.

b) Restrictions on the transfer of securities (pursuant to Article 123-bis, paragraph 1, letter b), Finance Consolidation Act)

There are no restrictions on the transfer of securities.

c) Significant interest in the share capital (pursuant to Article 123-bis, paragraph 1, letter c), Finance Consolidation Act)

According to entries in the stock ledger, notification received pursuant to Article 120 of the Finance Consolidation Act and other available information, the shareholders with a stake exceeding 2% of the share capital at 24 March 2010 are as follows:

DECLARANT	DIRECT SHAREHOLDER	No. SHARES	% STAKE of ordinary and voting capital
FIN.AST S.r.l.	<i>FIN.AST. S.r.l.</i>	38,956,495	39.580%
	<i>Finetupar International S.A.</i>	12,327,967	12.525%
		51,284,462	52.105%
Capital Research and Management	<i>Capital Research and Management</i>	4,905,396	4.984%
		4,905,396	4.984%
Odin Forvaltning AS	<i>Odin Forvaltning AS</i>	4,841,885	4.919%
		4,841,885	4.919%
TOTAL		61,031,743	62.008%

d) Securities granting special rights (pursuant to Article 123-bis, paragraph 1, letter d), Finance Consolidation Act)

No securities granting special controlling rights have been issued.

e) Employee shareholdings: mechanism to exercise voting rights (pursuant to Article 123-bis, paragraph 1, letter e), Finance Consolidation Act)

No employee shareholding system has been set up.

f) Voting right restrictions (pursuant to Article 123-bis, paragraph 1, letter f), Finance Consolidation Act)

There are no restrictions on voting rights.

g) Shareholder agreements (pursuant to Article 123-bis, paragraph 1, letter g), Finance Consolidation Act)

There are no shareholder agreements falling under the field of application of Article 122 of the Finance Consolidation Act, nor have any been reported or made known.

h) Change of control clauses (pursuant to Article 123-bis, paragraph 1, letter h), Finance Consolidation Act)

Astaldi S.p.A. and its subsidiaries have not executed any significant agreements which come into force or cease to be valid in the event of a change of control as regards the contracting company.

i) Powers for share capital increases and authorisation for the purchase of treasury shares (pursuant to Article 123-bis, paragraph 1, letter m), Finance Consolidation Act)

The Board of Directors of Astaldi S.p.A. has not been assigned powers to increase the share capital, nor can it issue participating financial instruments.

The Shareholders' Meeting of Astaldi S.p.A., held on 24 April 2009, approved a **treasury share buy-back programme**, pursuant to Articles 2357 et seq. of the Italian Civil Code, and Article 132 of the Italian Legislative Decree No. 58 of 24 February 1998, for a period of twelve months (as from 27 April 2009), which provides for the possibility of:

- **acquiring** ordinary treasury shares of the Company within a revolving limit of 9,842,490 shares of a nominal value of EUR 2.00 each, at a unit price of no less than EUR 2.00 and no more than the average share price of the last 10 days of trading on the stock market prior to the purchase date, increased by 10%, with the further restriction that the amount of shares at any given time must not exceed the total of EUR 24,600,000.00 (without prejudice to the limit regarding distributable profit and available reserves pursuant to Article 2357, paragraph 1 of the Italian Civil Code);
- **selling** the purchased shares at a unit price of no less than the average share price of the last 10 days of trading on the stock market prior to the sale date, decreased by 10%.

The programme in question also provides for the Board of Directors to be authorised to dispose of treasury shares through share exchanges during possible transactions of strategic importance for the Company, including swaps and/or allotments, provided the shares related

to said transactions are not valued at a lower value than the average book value of the treasury shares held. Treasury shares may also be used for stock grant and/or stock option plans; in this case, an exception is made from the aforementioned criterion of calculating the sale price which may not, in any case, be lower than the so-called normal value provided for in tax laws.

The Board of Directors is likewise authorised to perform security loan transactions – in which Astaldi S.p.A. is the lender – whose object is treasury shares.

In order to implement this resolution, the Company owned 991,749 treasury shares at 31 December 2009.

l) Management and coordination (pursuant to Article 2497 et seq. of the Italian Civil Code)

Astaldi S.p.A. is not subject to “*the management and coordination*” of any of its shareholders insofar as the Company’s Board of Directors takes all resolutions deemed appropriate to manage the Company’s activities in a completely independent manner.

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Lastly, it should be noted that:

- the information required under Article 123-bis, paragraph 1, letter i) (“*the agreements between the company and the directors ... which provide for compensation in the event of resignation or dismissal without just cause or if the working relationship is terminated as a result of a takeover bid*”) is detailed in the section of the report dealing with the remuneration of the directors (Section 9);
- the information required under Article 123-bis, paragraph 1, letter l) (“*the provisions which apply for the appointment and replacement of company directors ... as well as for amendments to the Bylaws, if different from the laws and regulations which apply in a supplementary manner*”) is detailed in the section of the report dealing with the Board of Directors (Section 4.1).

3. COMPLIANCE (pursuant to Article 123-bis, paragraph 2, letter a), Finance Consolidation Act)

Astaldi S.p.A. complies with the “*Self-Regulation Code for Listed Companies*” drawn up by Borsa Italiana S.p.A.

It should be recalled that the code in question may be consulted by the public on the website of Borsa Italiana S.p.A. (www.borsaitaliana.com).

Neither Astaldi S.p.A., nor its strategic subsidiaries are subject to non-Italian law provisions which affect the Company’s corporate governance structure.

4. BOARD OF DIRECTORS

4.1 APPOINTMENT AND REPLACEMENT (pursuant to Article 123-bis, paragraph 1, letter I), Finance Consolidation Act)

Pursuant to the provisions contained in the Italian Law No. 262/05 (the so-called Savings Law) and the related Legislative Decree No. 303/06 (the so-called Corrective Decree), Astaldi S.p.A.'s Bylaws provide for the “**slate vote**” system for the appointment of the Board of Directors.

Specifically, the Bylaws state that shareholders who, alone or with other shareholders who support **presentation** of the same slate, own shares representing at least **2.5%** of the share capital (in other words the minimum level provided for in applicable laws and regulations) with voting rights in the General Shareholders' Meeting, shall be entitled to present slates.

According to the Bylaws, the slates, endorsed by the presenting parties and including the information required by law, must be **filed** at the company's registered offices, and made available to anyone requesting to view them, at least **15 days prior** to the date of the Shareholders' Meeting in first call.

The directors are **elected** as follows:

- 1) a number of the Directors equivalent to the total number of the members of the Board established by the Shareholders' Meeting, minus one, shall be chosen from the slate obtaining the most votes cast, according to the progressive order shown in the slate. If no slate obtains a higher number of votes compared to the others, the Shareholders' Meeting must be called again for further voting to be held in accordance with this article;
- 2) one Director, the candidate listed under the first number, shall be chosen from the slate that comes second for the number of votes and which is not connected, on the basis of criteria set forth in the rules regarding the election of minority auditors, with shareholders who have presented or voted the slate coming first for the number of votes. Should several minority slates obtain the same number of votes, the most senior candidate by age among those listed as number one on the slates obtaining an equal number of votes, shall be elected director.

Should a **single slate** be presented, or no slate be presented, the Shareholders' Meeting shall take its decisions with the majorities provided for by law, without following the procedure described above.

For the purpose of **distribution** of the directors to be elected, the slates that have not obtained a percentage of votes equivalent to at least half of the percentage required to present slates, shall not be taken into account.

The Bylaws provide for the slates to be complete, inter alia, with statements by the candidates certifying, under their own responsibility, fulfilment of the **requisites of independence** required by law.

Moreover, in order to guarantee election of the **minimum number of independent directors** on the basis of the requirements contained in Article 147-ter, paragraph 4 of the Finance Consolidation Act, the Bylaws specifically provide for “*each slate to contain the candidature of parties with the requisites of independence established by law and at least equal to the*”

number of independent directors that must form part of the Board of Directors, as set forth in legislation”.

The company shall not be subject to additional provisions regarding composition of the Board of Directors.

4.2 COMPOSITION (pursuant to Article 123-bis, paragraph 2, letter d), Finance Consolidation Act)

The Board of Directors of Astaldi S.p.A., appointed on 2 May 2007 for the years 2007, 2008 and 2009 and whose term of office **expires upon approval of the financial statements at 31 December 2009**, currently comprises thirteen members.

Please refer to the information published on the Company’s website (www.astaldi.com) in the *Governance* section – *Board of Directors* subsection, in relation to the personal and professional characteristics of the board members.

It should be recalled that the General Shareholders’ Meeting of 2 May 2007 was held in compliance with the previous provisions regarding appointment of the Board of Directors and the previous Bylaws which **did not provide for the “slate vote” system**. On this occasion a single slate was presented by Fin.Ast. S.r.l., elected with a favourable vote of 94.830% of the shares with voting rights in the Meeting.

Please refer to Tables 2 and 3 attached hereto with regard to the composition and characteristics of the Board of Directors currently in office.

Maximum number of positions held in other companies

In this regard, it should be noted that the Company’s Board of Directors, in its meeting of 13 November 2006, identified the general criteria adopted by the Company with regard to the maximum number of positions of director or auditor that Board members may hold in other companies listed on domestic and foreign regulated markets, in financial, banking and insurance companies or other companies of a significant size, as set forth in Article 1.C.3 of the Self-Regulation Code.

Specifically, the Board of Directors decided the following during said meeting:

- to set the maximum number of positions for “*non-executive*” and “*independent*” directors at **6**;
- to set the maximum number of appointments for “*executive*” directors at **4**.

However, for the purposes of calculating said number, any positions of director or auditor undertaken by Board members of Astaldi S.p.A. in Group companies shall not be counted.

4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to Article 123-bis, paragraph 2, letter d), Finance Consolidation Act)

The Board of Directors plays a key role in the Company's organisation. It is responsible for the Company's strategic and organisational policies, as well as for ensuring that the checks and audits needed to monitor the performance of the company and the Group are carried out. The Board is vested with the broadest powers with regard to Company management, pursuant to Article 22 of the Company's Bylaws.

In line with provisions contained in the Bylaws, **6 meetings** of the Board were held during the financial year 2009 of an **average duration** of 2 hours, with a limited number of absences by directors and auditors, all of which were justified.

In accordance with stock market regulations in this regard, the Board of Directors approved, and then notified to Borsa Italiana S.p.A., with reference to the 2010 financial year, a **calendar** of the dates of the forthcoming Board meetings for approval of the draft financial statements, the half-yearly report and the interim reports, as shown below:

DATE	CORPORATE EVENT	SUBJECT
<i>9 February 2010 (already held)</i>	Board of Directors	Approval of Interim Report for Q4 2009
<i>24 March 2010</i>	Board of Directors	Approval of Draft Annual Financial Statements for 2009
<i>23 April 2010</i>	Shareholders' Meeting	Approval of Annual Financial Statements for 2009
<i>12 May 2010</i>	Board of Directors	Approval of Interim Report for Q1 2010
<i>4 August 2010</i>	Board of Directors	Approval of Half-Yearly Financial Report at 30 June 2010
<i>10 November 2010</i>	Board of Directors	Approval of Interim Report for Q3 2010

It should be noted that **pre-meeting documentation** is distributed by the Secretary of the Board of Directors, appointed by the Chairman, to the Directors in electronic format prior to the Board meeting in order to ensure complete and correct examination of the issues brought to the Board's attention.

Moreover, company managers may be called upon to attend meetings of the Board of Directors, in the capacity of **guests**, in order to provide detailed information regarding the items on the agenda.

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In compliance with **Applicational Criterion 1.C.1, letter a) of the Self-Regulation Code** for listed companies, the Board of Directors:

- a) examines and approves the strategic, business and financial plans of the Company and the Group, as well as the Company's system of corporate governance and the Group structure;
- b) assesses the suitability of the general organisational, administrative and accounting structure of the Company and its subsidiaries of strategic importance, to be provided by the Chief Executive Officers, with specific reference to the internal audit system and management of conflicts of interest;
- c) decides upon remuneration of the Chief Executive Officers and the other directors holding specific positions, after examining the proposals of the dedicated committee and consulting the Board of Auditors;
- d) assesses the general trend of operations;
- e) assigns and revokes powers to Chief Executive Officers, defining relative limits and procedures for exercising said powers; it likewise determines the frequency, in any case not more than quarterly, with which Chief Executive Officers must report to the Board on activities undertaken while exercising the powers granted;
- f) examines and approves in advance the operations of the issuer and its subsidiaries, when said operations are of strategic, economic, equity or financial importance for the issuer, with specific reference to operations with related parties.

In relation to **Applicational Criterion 1.C.1, letter d of the Self-Regulation Code**, the Shareholders' Meeting of 2 May 2007 resolved upon an annual gross fee of EUR 30,000 for each member of the Company's Board of Directors.

The Company's Board of Directors, which met on the same date, subsequently:

- i) resolved upon the annual fee for 2007, 2008 and 2009 for the Honorary Chairman pursuant to Article 2389, paragraph 3 of the Italian Civil Code, with the Board of Auditors expressing its favourable opinion in this regard;
- ii) granted the Directors comprising the Company's Remuneration Committee the powers to calculate the total annual fees for 2007, 2008 and 2009 for the Chairman, Deputy-Chairman, Chief Executive Officers and directors holding specific positions, pursuant to Article 2389, paragraph 3 of the Italian Civil Code, following consultation with the Board of Auditors.

Pursuant to **Applicational Criterion 1.C.1., letter e of the Self-Regulation Code**, the Board of Directors regularly examined the general trend of operations during the meetings held throughout 2009, including in relation to information received from the managers in charge, comparing the results achieved with the forecast results at regular intervals.

Pursuant to **Applicational Criterion 1.C.1, letter f of the Self-Regulation Code**, the Board of Directors shall be responsible for examining and approving in advance the operations of

the company and its subsidiaries, including with related parties, should said operations have a strategic, economic, equity or financial importance.

In this regard it should be pointed out that the Board of Directors has established general criteria for identifying “*operations with related parties*” of a strategic, economic, equity or financial importance, as stated subsequently; while for operations of this type with parties other than “*related parties*”, the Board has not established general criteria, and shall examine any future activities on an case-by-case basis.

Specifically:

- 1) the Board of Directors shall be exclusively responsible with regard to operations with related parties other than subsidiary or associate companies;
- 2) as regards operations with related parties that are “ad hoc” subsidiary and associate companies (i.e. temporary bodies such as special purpose vehicles, consortium companies, consortia and joint ventures, set up to perform specific contracts in Italy and abroad), the Chief Executive Officer in charge shall submit a report to the Board every six months, at the time of the approval of the half-yearly report and draft financial statements, regarding unusual and/or non-typical operations (defined as those which are not directly finalised at the implementation and management of works and are not of a temporary nature), the value of which exceeds the sum of EUR 10 million for each operation. With regard to unusual and/or non-typical operations of a lower value, the Chief Executive Officer in charge shall provide information by type of operation and in aggregate form, with the same frequency as above;
- 3) as regards operations with related parties that are not “ad hoc” subsidiary and associate companies:
 - 3.1.) these shall be the exclusive responsibility Board of Directors should the operation exceed EUR 30 million;
 - 3.2) the Chief Executive Officer in charge shall submit a report to the Board every six months, at the time of the approval of the half-yearly report and the draft financial statements, regarding the operations undertaken with the same counterpart of a value exceeding a total of EUR 50 million on a half-yearly basis.

In any case, all the above operations shall be commented on by the Company in its Management Report, regardless of their value.

With reference to **Applicational Criterion 1.C.4. of the Self-Regulation Code**, it should be noted that the Shareholders’ Meeting of Astaldi S.p.A. has not authorised, in general or in advance, any departures from the ban on competition provided for in Article 2390 of the Italian Civil Code.

4.4. APPOINTED OFFICERS

CHIEF EXECUTIVE OFFICERS

During the meeting of 2 May 2007, the Company’s Board of Directors resolved to appoint Giuseppe Cafiero and Stefano Cerri as **Chief Executive Officers**.

It should be noted that the powers granted to the Chief Executive Officers, as a result of the above Board resolution, basically provide **Giuseppe Cafiero** to be mainly responsible for

business activity, and for **Stefano Cerri** to be mainly responsible for the development of activities and pursuit of the Group's growth targets.

CHAIRMAN

The Board of Director's activities are coordinated by the **Chairman**. He calls and chairs the board meetings, ensuring that the company directors are provided with all the documentation and information needed, with reasonable advance notice – save for cases of necessity and urgency – so that the Board can knowingly express its opinion with regard to the matters submitted for examination.

The Chairman of the Board of Directors works together with the Deputy Chairman and Chief Executive Officers to identify the Company's strategies to be submitted for approval by the Board of Directors.

It should be noted that since the conditions stated in the Self-Regulation Code (Application Criterion 2.C.3) do not apply, **no lead independent director has been appointed**. Indeed the Chairman of the Board of Directors does not have any powers which make him responsible for management of the Company, nor does he control the Company.

INFORMATION FOR THE BOARD

The Chief Executive Officers report to the Board in an ongoing manner, and **at least once every quarter** in accordance with the Bylaws, with regard to the main activities performed while exercising the powers granted them.

4.5 OTHER EXECUTIVE DIRECTORS

The Board of Directors, as shown in Table 2 attached hereto, currently comprises **5 executive directors** who hold management positions within the company.

4.6. INDEPENDENT DIRECTORS

Following appointment by the Shareholders' Meeting on 2 May 2007, and subsequently during the meeting held on 25 March 2009, the Board of Directors examined the **requisites of independence** with regard to each of the non-executive directors, in accordance with **Applicational Criterion 3.C.4 of the Self-Regulation Code**, applying all the criteria provided for therein.

Upon renewal of the Board of Directors, which shall take place during the Shareholders' Meeting of 23 April 2010, the requisites of independence shall be examined once again with regard to the directors elected on that occasion.

The Board of Auditors has checked correct application of the criteria and procedures adopted by the Board to ascertain the independence of its members. The outcome of said check, with regard to 2009, shall be disclosed by the Board of Auditors to the market in the auditors' report to the Shareholders' Meeting.

4.7. LEAD INDEPENDENT DIRECTOR

It should be noted that since the conditions stated in the Self-Regulation Code (*Application Criterion 2.C.3*) do not apply, also in light of the content of point 4.4 above, the Board of Directors has not considered it necessary to appoint a **lead independent director**.

5. PROCESSING OF CORPORATE INFORMATION

Pursuant to **Applicational Criterion 4.C.1. of the Self-Regulation Code**, Astaldi S.p.A. utilises the internal procedure called “**Continuous Information**” in order to guarantee correct internal management and prompt external notification of all relevant facts falling within the sphere of activities of the Company and its subsidiaries and which, at least potentially, could significantly influence the price of the Company’s shares (so-called “*price-sensitive information*”).

In short, the procedure identifies within the company the timeframe and methods for transmitting and distributing said information and the involvement of the departments concerned; staff in closest contact with this information shall act as intermediaries between the area they are responsible for and top management so as to allow suitable assessment of said facts or information.

As a subsequent step, the involvement of a dedicated Assessment Committee (formed by the persons in charge of the Legal Service and Corporate Affairs, Investor Relations and the department concerned) is envisaged so that after careful analysis of the facts, it is possible to provide appropriate assistance as to the correct interpretation of regulations for the sector on the one hand, and for the formulation and distribution of press releases in this regard on the other.

6. INTERNAL COMMITTEES

(pursuant to Article 123-bis, paragraph 2, letter d) of the Finance Consolidation Act)

The Company has created two internal committees – a Remuneration Committee and an Internal Audit Committee.

No committees have been set up inside the Board of Directors that perform the duties of two or more of the committees provided for in the code, nor are any committees with proactive or advisory duties other than those provided for in the code.

7. APPOINTMENT COMMITTEE

The Board of Directors currently in office did not consider it necessary to set up a Committee for appointing directors given that, at the current moment, there are no problems regarding formulation of candidatures to cover company positions.

8. REMUNERATION COMMITTEE

The Company appointed a Remuneration Committee and for any plans for stock option and share allotment schemes, set up by the Board of Directors on 5 February 2002.

Composition and running of the Remuneration Committee (pursuant to Article 123-bis, paragraph 2, letter d), Finance Consolidation Act)

Two meetings of the Remuneration Committee, of an average duration of 30 minutes, were held during 2009 and attended by all the members of the committee.

The Remuneration Committee is currently composed of three non-executive Directors, the majority of whom are independent, as follows:

Ernesto Monti	(Chairman)	Non-executive
Franco A. Grassini		Non-executive/Independent
Maurizio Poloni		Non-executive/Independent

The Committee invited the Chairman, Deputy Chairman and Chief Executive Officers to attend its meetings, depending on the issues looked at.

Please consult Table 2 attached hereto in relation to the composition and characteristics of the Remuneration Committee in office.

Duties of the Remuneration Committee

In accordance with Applicational Criterion 7.C.3 of the Self-Regulation Code, the Committee basically has the task of:

- drafting proposals to the Board for the remuneration of the Chief Executive Officers and directors holding specific positions and, at the request of the Chief Executive Officers, for determination of the criteria for remuneration of the Company's top managers, monitoring application of the decisions taken by the Board;
- formulating proposals for any incentive schemes reserved for directors, employees and consultants;
- formulating proposals and ensuring that the information provided to shareholders and the market ensure the necessary transparency of mechanisms for the determination and size of fees paid to persons in the company, in accordance with current regulations regarding corporate information, and in any case according to the best practices on financial markets;
- providing opinions on matters submitted to it from time to time by the Board of Directors with regard to remuneration or to related or connected matters.

The Committee performed advisory duties during the two meetings held during 2009, for which the minutes were duly drawn up, specifically with regard to definition of:

- parameters of the scheme for assigning cash bonuses paid in 2009 (with reference the 2008 financial year) and to be paid in 2010 (with reference to the 2009 financial year), for General and Deputy General Managers not belonging to the Board of Directors, Central Managers, Technical Managers, Head Office Service Managers, Area General Managers and Area Managers;
- parameters which, when achieved, will involve the assignment of stock grants for the 2009 financial year.

In order to perform its duties, as stated above, the Committee had access to the necessary information through the various company departments concerned, with help of the Head of the Legal Service and Corporate Affairs.

9. REMUNERATION OF COMPANY DIRECTORS

The meeting of 27 June 2007 approved the guidelines of the Company's "Incentive Scheme" for the 3-year period 2007/2009, as defined previously by the Board of Directors of 14 May 2007, upon proposal of the Remuneration Committee of 11 May 2007. Subsequently, the Board of Directors of 27 September 2007 approved the Regulations for implementing the scheme.

Specifically, this scheme is based on a stock granting system in which Astaldi S.p.A. shares are assigned to three top managers, executive board members with operational powers, to be paid over three years, following verification by the Board of Directors that the objectives set by the Board have been achieved.

The Company has likewise drawn up a plan for the assignment of cash bonuses to top managers based on the results achieved by the company as well as achievement of specific targets set during the year.

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Lastly, it should be noted that the remuneration of non-executive directors is not linked to the Company's economic results, nor do said non-executive directors benefit from share-based incentive schemes.

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Compensation for directors in the event of resignation, dismissal or termination of office following a takeover bid (pursuant to Article 123-bis, paragraph 1, letter i) of the Finance Consolidation Act)

There are no agreements in force with the Company's directors which provide for compensation in the event of resignation, dismissal, revocation without just cause or termination of office following a takeover bid.

10. INTERNAL AUDIT COMMITTEE

The Company has appointed an Internal Audit Committee, set up by the Board of Directors on 5 February 2002.

Composition and running of the Internal Audit Committee (pursuant to Article 123-bis, paragraph 2, letter d), Finance Consolidation Act)

Five meetings of the Committee, of an average duration of 2 hours, were held during 2009 and attended by all the members of the above-mentioned committee.

The Internal Audit Committee, currently in office and appointed by the Board of Directors on 2 May 2007, is composed of three non-executive Directors, the majority of whom are independent, as follows:

- | | |
|------------------------------|--|
| ▪ Mario Lupo (Chairman) | Non-executive/Independent |
| ▪ Luigi Guidobono Cavalchini | Non-executive/Non-independent |
| ▪ Franco A. Grassini | Non-executive/Independent/
Expert in accounting and finance |

The Committee meets on a quarterly basis (4 meetings scheduled for the current year of which one already held on 19 March 2010).

Please consult Table 2 attached hereto in relation to the composition and characteristics of the Internal Audit Committee in office.

Duties of the Internal Audit Committee

The Committee performs proactive and advisory duties with regard to the Board of Directors in relation to supervision of the general trend of the company's operations.

The **Internal Audit Committee** operates in accordance with Articles 8.C.1 and 8.C.3 of the Self-Regulation Code for listed companies.

More specifically, it performs the following **tasks**:

- a) assisting the Board of Directors with regard to examination of the suitability, efficacy and actual operation of the internal audit system;
- b) examining, together with the executive appointed to draft corporate accounts and auditors, the correct use of accounting standards and their homogeneity for the purpose of drafting of the consolidated financial statements;
- c) at the request of the executive director appointed for this purpose, voicing opinions on specific aspects related to identification of the main company risks as well as planning, creation and management of the internal audit system;
- d) examining the work schedule drawn up by the Internal Audit Manager as well as the periodic reports drawn up by the latter;
- e) examining the proposals formulated by external auditing firms in order to obtain the assignment, as well as the work schedule drawn up for auditing and the results detailed in the report and any letter containing recommendations;
- f) supervising the effectiveness of the auditing process;
- g) reporting to the Board, at least on a six-monthly basis, on the occasion of approval of the annual financial statements and half-yearly report, with regard to activities carried out and suitability of the internal audit system;
- h) performing additional tasks which it may be assigned by the Board of Directors.

The Committee performed auditing activities during the five meetings in 2009 and examined various issues of interest, the most significant of which are as follows:

- it examined and approved the work schedule drawn up by the Internal Audit Manager and was kept constantly up-to-date by the latter with regard to scheduled audit activities carried out during the year in relation to management of the main corporate risks;
- it acknowledged the results of risk assessments carried out on corporate business and support processes;
- in accordance with the operating methods adopted in previous years, it acknowledged the results of audits performed on the main business processes, which involved a sample of contracts in Italy and abroad, and on support processes. This made it possible to assess the company's internal audit system as suitable, efficient and effective on the whole;

- it was informed with regard to the results of audit activities carried out in 2008 (*follow-up*) in relation to remedial action recommended by the *Management* to the contract departments concerned;
- it was constantly kept up-to-date on the corporate activities carried out and on the checks performed to guarantee safety at construction sites, and positively assessed the actions undertaken by the company in the HSE sector, confirming the substantial suitability of the business model adopted in this respect;
- it supervised the effectiveness of the auditing process, assessing – together with the Executive appointed to draft corporate accounts, the external auditors and the Board of Auditors – the correct use of accounting standards and their homogeneity for the purpose of drafting the consolidated financial statements;
- it examined, jointly with the Board of Auditors, the work schedule drawn up for auditing of the 2009 financial statements, expressing its positive opinion in this regard;
- it examined, jointly with the Board of Auditors, the proposal formulated by the external auditors to adjust fees for 2009/2010 – following recent legislative changes which entail the performance of a series of additional checks compared to the previous year – expressing its positive opinion in this regard;
- it checked, on the basis of the results of the consolidated financial statements at 31 December 2008, the correct application of standards for identifying subsidiaries of “significant importance”, pursuant to and for the effects and purposes of the provisions contained in Articles 165, paragraph 1, of the Italian Legislative Decree No. 58/98 and 151 of CONSOB Regulations No. 11971 of 14 September 1999 as subsequently amended;
- it was kept up-to-date by the Executive appointed to draft corporate accounts on the results of testing activities performed on a sample of Italian and foreign contracts selected for the financial year 2009, acknowledging, together with the Board of Auditors, the internal audit system with regard to company disclosure as suitable, efficient and effective;
- it was constantly kept up-to-date on corporate activities carried out pursuant to the Italian Legislative Decree No. 231/01 and took part in – following recent legislative amendments to the Italian Legislative Decree No. 231/01 – review of the Company’s Organisation, Management and Control Model which was approved during the Board meeting of 10 November 2009, subsequent to examination by the Supervisory Board that deemed it suitable for preventing the crimes referred to in said decree from being committed.

During the meetings held on 6 August 2009 and 24 March 2010, the Committee reported to the Board of Directors with regard to activities carried out respectively in the first and second half of 2009.

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The Chairman of the Board of Auditors or an auditor appointed by the latter attended the meetings of the Committee.

Parties who are not members also took part when invited by the Committee, in relation to specific issues.

The Internal Audit Manager performed the role of secretary of the Committee, drafting the minutes of the meetings and helping the Committee to perform its duties.

In order to perform its duties, as stated above, the Committee had access to the necessary information through the various company departments concerned, with help of the Internal Audit Manager.

11. INTERNAL AUDIT SYSTEM

Astaldi, which has been operating in a sector characterised by increasing competition among large companies and national and international groups for many years, has defined and implemented corporate auditing in order to satisfy internal and external needs requested over the years by shareholders, the company's Board of Directors and Board of Auditors as well as reference laws and regulations.

Admission to listing of the company's shares in the STAR segment of the market regulated, organised and managed by Borsa Italiana S.p.A., and the consequent wealth of internal and external parties with assurance-related duties, have provided the opportunity to streamline internal auditing with a reference framework that complies with "Corporate governance regulations for listed companies".

The CO.SO. Report represents the main methodological document of reference used by the company which, when suitably adapted to the company's specific characteristics, constitutes an effective analytical instrument for assessing the various components of the Company's internal audit system, and for providing the Top Management with a clear overview of the points of improvement of the Internal Audit System in terms of efficacy and efficiency.

Astaldi's Internal Audit System comprises the various directives, internal regulations, procedures and processes used to support identification, prevention and management of corporate risks, with the aim of offering the Top Management reasonable certainty as regards achievement of the targets falling into the following categories:

- a) the conformity of individual corporate activities with the purpose the company aims to achieve and the directives issued by the top management, in compliance with internal and external regulations;
- b) the efficacy and efficiency of operating activities;
- c) the reliability of information and financial-economic reporting;
- d) the safeguard of the company's assets with identification of behaviour which goes against the company's interest and/or fraud.

The Board of Directors – in keeping with the policies of the internal audit system defined by the Board and with the Internal Audit Committee’s constant involvement and advice – checks that the main risks related to the Issuer and its subsidiaries are correctly identified, assessed, managed and monitored for fruitful and correct management of the company.

The Board of Directors, during the meeting on March 24 2010, also on the basis of the findings of the activities undertaken by the Internal Audit Committee, expressed his own positive judgment with regard to the suitability, efficacy and actual operation of the Company's internal audit system.

Please refer to the content of sections 11.1 and 11.2 with regard to assessments regarding the suitability, operations and running of the internal audit system.

MAIN CHARECTERISTICS OF THE RISK MANAGEMENT SYSTEM AND OF THE INTERNAL CONTROL SYSTEM RELATED TO FINANCIAL REPORTING

As regards company disclosure, interim accounts and all other statements of a financial nature – forming part of the internal audit system – said activities are managed by a dedicated operating unit which works together with the Executive appointed to draft corporate accounts. The system used to manage risks related to financial reporting forms an integral part of the internal audit system implemented by the Company insofar as a fundamental part of the company processes aimed at ensuring the reliability, accuracy and promptness of economic-financial reporting.

The approach adopted by the Company, based on reference best practices and specifically on the Co.S.O. framework, springs from a type of corporate auditing which focuses specific attention on defining the main corporate governance instruments. Indeed, the risk management system and more generally the internal audit system provide for the formalisation of specific administrative-accounting procedures, definition of roles and responsibilities using an organisation chart and relative delegation of duties, internal regulations and codes of conduct and the separation of duties.

Specifically, the definition of processes and relative checks is the result of ongoing identification and analysis of the endogenous and exogenous factors which may jeopardise the achievement of corporate targets, in order to determine how said risks may be managed (identification, assessment and monitoring) so as to guarantee correct production of financial reporting.

To this end hierarchical/functional line/operating (i.e. first-level) checks are defined with regard to the management of risks and compliance with internal and external regulations (second-level checks) as well as internal audits (third-level checks). The efficacy of checks used to control the risks that may have significant effects on economic and financial information – in particular – is verified through testing performed at the closure of both annual and interim (half-yearly) accounts, and is characterised by a top-down approach to identify the entities, the processes and the account entries concerned. In this regard, a sample of entities is taken in relation to their significance on the statutory and consolidated financial statements from an economic and equity viewpoint. Said testing is performed by a dedicated facility which reports to the Executive appointed to draft corporate accounts, and the testing results as well as any recommended corrective action are submitted for examination to the Executive appointed to draft corporate accounts and the Board of Directors.

For the purpose of completeness of information, it should be noted that since the introduction of Law No. 262, the Parent Company has ordered that the annual and interim (half-yearly) accounts of branches and subsidiaries be accompanied by a certification drawn up and signed by the legal representatives and administration managers of the companies in question. The certification should be similar to that provided for by CONSOB regulations implementing Law No. 262.

The system adopted is subject to independent assessment, monitoring and constant updating.

11.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL AUDIT SYSTEM

In light of provisions set forth in Article 8.C.1 of the Self-Regulation Code, the Company's Board of Directors, during the meeting on 13 November 2006, appointed the **Chief Executive Officer, Stefano Cerri**, as the "*executive director in charge of supervising the internal audit system*", who performs the tasks as per Article 8.C.5 of the Code in question, in compliance with the company's control model.

More specifically, the CEO:

- is responsible for identifying the main corporate risks, taking into account the characteristics of the activities performed by the issuer and its subsidiaries, and submits them for examination by the Board of Directors at regular intervals;
- is responsible for implementing the policies defined by the Board of Directors, handling planning, creation and management of the internal audit system and constantly checking its overall suitability, efficacy and efficiency; he is also responsible for adapting said system to the dynamics of working conditions and legislation and regulations;
- proposes to the Board of Directors, the appointment and remuneration of one or more Internal Audit Managers.

11.2 INTERNAL AUDIT MANAGER

The company's Board of Directors appointed an Internal Audit Manager in compliance with the requisites of Article 8.C.6 of the Self-Regulation Code.

The appointment was made following the proposal of the CEO in charge of the internal audit system and consultation with the Internal Audit Committee.

As from 13 May 2009, the Company's **Internal Audit Manager** is Fabio Accardi. He is responsible for the Company's Internal Audit Service and reports to the Board of Directors at a hierarchical level, and to the CEO in charge of the Company's Internal Audit System at an operating level.

The Internal Audit Manager:

- a) is appointed to check that the internal audit system is suitable, fully operational and effective at all times;
- b) has direct access to all information of use in performing his task, and disposes of suitable means to perform the task he has been assigned;
- c) reports to the Internal Audit Committee and Board of Auditors as well as to the executive director in charge of the internal audit system with regard to the activities

he performs. Specifically, he reports on the methods used to manage risks as well as compliance with the plans drawn up to limit risks, and shall express his own judgement with regard to the internal audit system's ability to achieve an acceptable overall risk profile;

- d) works with the Parent Company Astaldi's Supervisory Board to update the Organisational, Management and Control Model as per the Italian Legislative Decree No. 231/01 and assists with monitoring and checking of compliance with said model (also see section 11.3).

The Internal Audit Manager is not responsible for any operating area and does not have to report to any operating area manager.

Internal auditing is performed on the basis of national and international best practices, with the aim of taking all suitable and necessary action to control corporate processes, including trend, monitoring and recording of criticalities and of opportunities for improving the corporate organisation.

Internal audit activities are performed through the Integrated Internal Audit System used to refer to an operating procedure to streamline, integrate and coordinate checks and controls performed by the various company departments that perform assurance activities on the basis of an annual schedule provided to the Internal Audit Committee and top management.

Internal Audit activities performed during the year were carried out in compliance with the work schedule approved by the Internal Audit Committee. Please refer to the content of sections 10 and 11.3 of this report in this regard.

The results of checks and audits are reported by the Internal Audit Manager to the Internal Audit Committee, Board of Auditors and Supervisory Board, as well as to the top management, at regular intervals, for the specific purposes as per the Italian Legislative Decree No. 231/01.

11.3 ORGANISATIONAL MODEL PURSUANT TO ITALIAN LEGISLATIVE DECREE NO. 231/2001

With reference to further action taken to strengthen the governance system, it should be recalled that the Board of Directors of the Issuer and subsidiaries of strategic importance adopted a "**Corporate Code of Ethics**" which sets forth the general principles and regulates, through rules of conduct, the activity of employees and consultants, including as regards relations with shareholders, the Public Administration, suppliers, contractors and sub-contractors.

Specifically, the Code establishes:

- the general principles and reference values which Astaldi and the Group companies must comply with while performing activities;
- the rules of conduct which the Company's representatives, managers and units must comply with as regards relations with commercial, business and financial counterparties;
- the main procedures for implementing the Code within the corporate organisation.

Moreover, the Board of Directors of the Issuer and subsidiaries of strategic importance, in relation to the activities referred to in the Italian Legislative Decree No. 231/2001, approved adoption of the “**Organisational, Management and Control Model pursuant to Italian Legislative Decree No. 231/01**”; said model identifies the areas and corporate activities potentially at risk in relation to the various categories of criminal offences provided for under this decree with the aim of protecting the Company in the event of committing of the offences as per Legislative Decree No. 231/01 by Company directors, employees and consultants.

The macro-categories of criminal offences which Astaldi S.p.A.’s Organisational Model aims to prevent are as follows:

- crimes against the Public Administration or other state bodies and crimes of receipt of stolen goods and laundering;
- corporate crimes and abuse of privileged information and market rigging;
- crimes against the individual;
- computer crimes;
- organised crime and crimes of impediment to justice.

Specifically, the Model defines:

- ethical principles in relation to conduct that may integrate the categories of offences provided for in the decree in question;
- “sensitive” corporate activities, in other words those whose nature means that the offences as per Legislative Decree No. 231/01 may be committed and hence those to be subjected to analysis and monitoring;
- the procedures for managing the financial resources used to prevent said crimes from being committed;
- the rules for selection of the Supervisory Board and assignment of specific supervisory tasks with regard to correct functioning of the Model;
- the information flows to the Supervisory Board;
- information, training, awareness and disclosure activities at all corporate levels with regard to rules of conduct and the procedures introduced;
- responsibilities regarding approval, integration, amendments and implementation of the Model as well as checking of the functioning of said model and corporate conduct, with relative updates at regular intervals.

It should be stressed in this regard that the “Corporate Code of Ethics” and the “Organisational, Management and Control Model pursuant to Legislative Decree No. 231/01” are constantly updated to comply with current legislation and changes in the company’s organisational structure.

A **Supervisory Board** has been appointed by the Issuer and subsidiaries of strategic importance in order to prevent the risks/offences provided for in Legislative Decree No. 231/01. Its members boast the requisites of autonomy, independence and professional qualifications required by the aforementioned law.

As regards Astaldi S.p.A. the members of the Supervisory Board are: Maurizio Poloni, a non-executive/independent member of the Board of Directors and Marco Annoni, Giorgio Luceri,

Nicoletta Mincato, Lidia Amadio and Vittorio Mele – the latter with the duties of Chairman of the Supervisory Board – as external experts.

Astaldi S.p.A.'s Supervisory Board has specific regulations and is set up as a top management staff unit reporting directly to the Chief Executive Officer in charge of supervising the company's internal audit system, the results of activities, any criticalities emerging and any corrective action and improvement which, if particularly important, may also be brought to the attention of the Board of Directors.

The Board avails itself of the **Internal Audit Manager** in order to perform its activities and for the implementation of its decisions by the company departments concerned.

The Supervisory Board's activities continued during 2009 with supervision of the functioning of and compliance with the "Organisational, Management and Control Model pursuant to Legislative Decree No. 231/01". It met ten times, undertaking its activities as briefly summarized below:

- review of the "Organisational, Management and Control Model pursuant to Legislative Decree No. 231/01" in order to include the following types of offences introduced into Legislative Decree No. 231/01: computer crimes (as per Article 24-*bis*) and organised crime and crimes of impediment to justice (as per Articles 24-*ter* and 25-*novies*);
- checking of actual application of the Model by the corporate departments through specific audits on a sample of selected Italian and foreign contracts, and examination of the significant results as per Legislative Decree 231/01 which emerged from audits performed by the Internal Audit System and through consultation with the departments responsible for the main processes at risk as regards said offences;
- checking of the results of audits carried out, and the corrective actions taken, following recommendations voiced by the Supervisory Board, in order to resolve any criticalities that emerged;
- further investigation, at the management's request, in relation to possible implementation of protocols in areas with specific criticalities of an environmental nature;
- implementation of regular information flows (certification pursuant to Legislative Decree No. 231/01) from contract managers (contract and project managers);
- setting up, in relation to contract e-rooms, of a specific section where certification pursuant to Legislative Decree No. 231/01 may be consulted together with attached documentation by the individual members of the Supervisory Board using access passwords;
- staff training activities in relation to Legislative Decree No. 231/01 carried out directly by the Supervisory Board, or delegated to secondary facilities in Italy and abroad in accordance with the guidelines laid down by the Supervisory Board;
- undertaking of investigations by the Internal Audit Manager pursuant to Article 13 of the Code of Ethics, in relation to suspected breach of the Organisational, Management and Control Model;

- further investigation in relation to changes to the Safety Consolidation Act introduced under Italian Legislative Decree No. 106/09, with subsequent review of protocols as per Article 6 on “crimes against the individual” and the organisational protocol regarding the “occupational hygiene, health and safety” process;
- joint meetings with the Board of Auditors for mutual exchange of information regarding audit activities carried out;
- monitoring of the activities performed by Group companies in relation to compliance with the provisions of Legislative Decree No.231/01.

11.4 AUDITING FIRM

Auditing of Astaldi S.p.A. is carried out by the auditing firm **Reconta Ernst & Young S.p.A.**

It should be recalled that auditing was initially assigned for the financial years 2005, 2006 and 2007 with the resolution passed by the Shareholders’ Meeting of 29 April 2005, and subsequently extended for the financial years 2008, 2009 and 2010 pursuant to Article 8, paragraph 7 of the Italian Legislative Decree No. 303/2006, with the resolution passed by the Shareholders’ Meeting of 2 May 2007.

11.5 EXECUTIVE APPOINTED TO DRAFT CORPORATE ACCOUNTS

During the meeting of 31 July 2007, the Board of Directors appointed **Paolo Citterio**, Astaldi’s General Manager - Administration and Finance as the “*Executive appointed to draft corporate accounts*”.

It should be recalled that, in accordance with the Bylaws, the Executive appointed to draft corporate accounts is appointed by the Board of Directors after consultation with the Board of Auditors. Moreover, pursuant to the Bylaws, the person chosen as Executive appointed to draft corporate accounts must have the requisites of honourableness provided for under the law for directors, and suitable professional skills. Said skills mean that he/she has undertaken, for a minimum 3-year period, management activities in the administrative, accounting, financial or auditing sector of a company with financial instruments listed on a regulated market or of a company undertaking financial, insurance or banking activities, or in a company with a share capital of not less than 2 million Euro; or alternatively he/she has undertaken activities for a 3-year period as auditor in an auditing firm registered in a special register kept by CONSOB.

The Company has also adopted internal regulations, setting forth the details of the duties, means and powers of the appointed executive, as well as his relations with other corporate officers and bodies.

12. DIRECTORS’ INTERESTS AND OPERATIONS WITH RELATED PARTIES

As regards **operations with related parties**, please refer to the content of section 4.3 of this report concerning Applicational Criterion 1.C.1, letter f of the Self-Regulation Code.

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As regards the cases provided for in Applicational Criterion 9.C.2 of the Self-Regulation Code where a director has an **interest** on his/her own behalf or on the behalf of third parties, it should be noted that the Company's Board of Directors shall adopt the working solutions it considers most suitable on a case-by-case basis (such as, for example, preventing the director from voting or inviting the director to temporarily leave the meeting while the resolution is being passed).

13. APPOINTMENT OF AUDITORS

The Bylaws provide for the "slate vote" system in order to ensure the inclusion of representatives of minority shareholders in the Board of Auditors.

As per specific provisions included in the Bylaws, the **slates**, accompanied by the documentation provided for by law and in the company's Bylaws, must be filed at the registered offices **at least 15 days** prior to the date of the Shareholders' Meeting in first call. Only shareholders who, alone or together with other shareholders, own a total number of shares with voting rights representing at least **1% of the share capital** with voting rights in the ordinary shareholders' meeting (or a lower percentage provided for in applicable legislation or regulations) are entitled to present slates.

Should only one slate be filed, or only slates be presented by shareholders who, on the basis of the above rules, are connected, at the aforementioned deadline for presentation of the slates, further slates may be presented up to **ten (10) days** prior to the date set for the Shareholders' Meeting in first call and, in this case, the quota of shares requested for presentation of the slate shall be reduced by half (**0.5% of the share capital**).

Election of the members of Board of Auditors shall take place as follows.

- two statutory members and two alternate members are drawn from the slate obtaining the greatest number of votes expressed by the shareholders attending, in the progressive order of listing in the corresponding sections of the slate;
- the remaining statutory member, who shall also be appointed Chairman of the Board of Auditors, and the other alternate member, are drawn from the slate coming second for the number of votes, among the slates presented and voted by the shareholders who are not connected with the reference shareholders pursuant to current regulations, in the progressive order of listing in the corresponding sections of the slate.

Should several minority slates obtain the same number of votes, the most senior candidates by age among those listed as number one of the corresponding sections of the slates obtaining an equal number of votes are elected statutory auditor and alternate auditor.

Should only one slate be presented, all the statutory and alternate auditors to be elected are drawn from said slate in the order of listing. The first person on the list shall be entitled to undertake the position of Chairman of the Board of Auditors.

If a Statutory Auditor ceases to hold office for any reason whatsoever, said auditor shall be replaced by the first substitute elected in the same slate, after checking fulfilment of the requisites stated above.

If a Statutory Auditor drawn from the slate coming second for the number of votes ceases to hold office for any reason whatsoever, and if it is not possible, for any reason whatsoever, for a substitute auditor elected in the same slate to replace said auditor, after checking fulfilment

of the requisites stated above, the candidate listed after the one drawn from the same slate or, failing this, the first candidate of the slate coming second for the number of votes among the minority slate, shall be appointed.

Please refer to Article 25 of the Bylaws of Astaldi S.p.A. for other aspects regarding appointment of the Board of Auditors.

14. AUDITORS

The Board of Auditors currently in office for the **financial years 2009, 2010 and 2011**, the composition of which is detailed in Table 4 attached hereto, was appointed during the meeting of the Board of Auditors of 24 April 2009.

It should be noted that during said meeting, **2 slates** were presented in compliance with the provisions contained in the company's Bylaws and Article 148 of the Finance Consolidation Act.

The first slate was presented by the shareholder FIN.AST. S.r.l., that proposed Pierpaolo Singer and Antonio Sisca for the position of Statutory Auditors and Massimo Tabellini and Flavio Pizzini for the position of Alternate Auditors.

The second slate was presented by the shareholders Fideuram Investimenti – Società di Gestione del Risparmio S.p.A., ARCA Società di Gestione del Risparmio S.p.A., Ersel Asset Management SGR S.p.A., Fideuram Gestions S.A., Pioneer Investment Management SGRpA, Pioneer Asset Management S.A., Monte Paschi Asset Management SGR S.p.A. and Interfund Sicav Società d'Investissement, that proposed Pierumberto Spanò for the position of Statutory Auditor and Marco Rigotti for the position of Alternate Auditor.

Upon **voting**, the first slate obtained the vote of 85.08% of the share capital attending the meeting and the second slate obtained the vote of no. 1,900,545 shares, equal to 3.13% of the share capital attending.

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During the meeting of 19 March 2010 the Board of Auditors, pursuant to *Applicational Criterion 10.C.2. of the Self-Regulation Code* checked fulfilment of the requisites of independence with regard to its members, applying all the criteria provided for in the code in question with regard to the independence of directors while performing its checks.

The auditor who, on his/her own behalf or on the behalf of third parties, has an interest in a specific operation performed by the Issuer, shall inform the other auditors and the Chairman of the Board, in a prompt and thorough manner, with regard to the nature, terms, origin and extent of his/her interest (*Applicational Criterion 10.C.4.*).

The Board of Auditors supervised the independence of the auditing firm, checking both compliance with law provisions in this regard and the type and scale of services, other than auditing services, provided to the Issuer and its subsidiaries by said auditing firm and companies belonging to its network (*Applicational Criterion 10.C.5.*).

The Board of Auditors, while performing its activities, availed itself of the services and coordination of the Internal Audit Manager, also in charge of the Internal Audit System. The Board also worked with the Internal Audit Committee with whom it maintained constant exchange of information, through both the Chairman of the Board of Auditor's attendance of committee meetings and joint meetings when the issues looked at and company departments involved were of mutual interest with regard to their respective spheres of responsibility (*Applicational Criteria 10.C.6. and 10.C.7.*).

15. RELATIONS WITH SHAREHOLDERS

Since 2002, the Company, also given its admission to listing in the STAR segment of the MTA – Italian Equities Market –, has appointed Alessandra Onorati as **the person in charge of investor relations** (the so-called “Investor Relator”), and she is also the head of said Company department.

Moreover, in order to favour dialogue with the shareholders and the market, the Company regularly makes available on its website all information, both accounting (financial statements, half-yearly statements and interim reports) and of interest to shareholders in general (for example press releases, the Corporate Code of Ethics, the Organisational and Control Model pursuant to Legislative Decree 231/01, directors' reports on the items on the agenda of meetings etc.).

16. SHAREHOLDERS MEETINGS (pursuant to Article 123-bis, paragraph 2, letter c) of the Finance Consolidation Act)

Pursuant to Article 10 of the Company Bylaws in force, the Shareholders' Meeting is called by the Board of Directors through a notice to be published in the “*Gazzetta Ufficiale della Repubblica Italiana*”, in accordance with the terms required by law.

The Bylaws also provide for said notice to list a date of second call should the meeting in first call fail to reach its quorum; in the event of extraordinary meetings, the notice may also list a date of third call.

The Shareholders' Meeting is responsible for performing the duties provided for in Article 2364 of the Italian Civil Code; moreover, on the basis of what is admitted under Article 2365, paragraph two of the Italian Civil Code, Article 21 of the Company's Bylaws specifically makes the Board of Directors responsible for passing resolutions concerning:

- (i) mergers and splits, in the cases provided for in Articles 2505 and 2505-bis of the Italian Civil Code, in accordance with the terms and conditions detailed therein;
- (ii) the setting up and closing down of secondary offices, including foreign offices;
- (iii) indication of which directors are responsible for representing the Company;
- (iv) reduction of share capital in the event of withdrawal of a shareholder;
- (v) amendments to the Bylaws in order to comply with law provisions;
- (vi) transfer of the Company's main offices within Italy.

As regards shareholders' rights and specifically participation in the Shareholders' Meeting, the Bylaws in force, in keeping with the provisions of Article 2370, paragraph two of the Italian Civil Code, expressly state: *"The shareholders with voting rights are entitled to participate in the Shareholders' Meeting as long as, within the two days prior to the date of the first call of the Meeting, the broker holding their accounts has sent notification certifying ownership of the corresponding shares."*

At the present time, the Company's Bylaws do not provide for the possibility of voting by correspondence, computer voting or any audiovisual links, with regard to Shareholders' Meetings.

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According to Article 13 of the Bylaws by which *"the holding of Shareholders' Meetings, both ordinary and extraordinary, is governed by regulations, approved by the Ordinary Shareholders' Meeting and valid for all subsequent ones, until amended or replaced"* – the Ordinary Meeting of 11 March 2002 approved the **"Regulations for Shareholders' Meetings"** establishing clear and unequivocal rules for the orderly and efficient holding of the meetings, without, however, any prejudice to the right of each shareholder to express his/her opinions and make requests for information and explanations regarding the items discussed.

Indeed, in this regard, the regulations for shareholders' meetings provide for parties entitled to exercise voting rights to take the floor with regard to items under discussion until the Chairman of the Meeting officially declares the discussion of said item as closed, in order to make observations and proposals or request information. The Chairman of the Meeting or his assistants shall undertake to provide the relative replies, and the regulations for shareholders' meetings guarantee the right of brief reply to all parties requesting to take the floor.

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It must be noted that in order to ensure that shareholders receive suitable information so as to be able to pass the resolutions the Shareholders' Meeting is responsible for with full knowledge of the facts, the Board of Directors makes available to shareholders, by forwarding to Borsa Italiana S.p.A. and publication on the Company website, in accordance with the timeframe provided for in current legislation, all the documentation and reports regarding the items on the agenda of Shareholders' Meetings.

17. OTHER CORPORATE GOVERNANCE PRACTICES

(pursuant to **Article 123-bis, paragraph 2, letter a) of the Finance Consolidation Act**)

No additional corporate governance practices other than those already detailed above are envisaged.

18. CHANGES SINCE THE END OF THE REFERENCE YEAR

There have been no changes to date in the Company's corporate governance structure since the end of the year.

Rome, 24 March 2010

On behalf of the Board of Directors
(Signed by Chairman)