



# **REPORT ON CORPORATE GOVERNANCE AND ON OWNERSHIP STRUCTURE**

pursuant to article 123-*bis*, TUF (finance consolidation act)

(traditional control and administration model)

Report issued by: **ASTALDI S.p.A.**

Website: **[www.astaldi.com](http://www.astaldi.com)**

Financial year to which this Report refers: **2010**

Date of approval of the Report: **16 March 2011**

## 1. PROFILE OF THE ISSUER OF THE REPORT

Once again this year, the corporate governance model adopted by Astaldi S.p.A. is in line with the principles contained in the Self-Regulation Code of Listed Companies (*Codice di Autodisciplina delle società quotate*) prepared by Borsa Italiana S.p.A. in the month of October 1999, and then modified and supplemented with CONSOB's recommendations, and, more generally, with international best practise. In line with the instructions issued by Borsa Italiana S.p.A., the following is a description of Astaldi S.p.A.'s corporate governance system, updated with the chief events following the close of financial year 2010.

## 2. INFORMATION ON OWNERSHIP STRUCTURE (pursuant to art. 123 bis, TUF –finance consolidation act)

### a) Company capital structure (pursuant to art. 123-bis, paragraph 1, letter a), TUF)

Amount, in euros, of subscribed and paid-in company capital: **EUR 196,849,800.00**.

This company capital is subdivided into 98,424,900 ordinary shares of a par value of EUR 2 per share.

Categories of shares of which the company capital is composed: ordinary shares with voting rights.

No other financial instruments attributing the right to subscribe newly-issued shares were issued.

No share-based incentive plans involving even gratuitous increases in the company's capital were introduced.

### b) Restrictions on the transfer of securities (pursuant to art. 123-bis, paragraph 1, letter b), TUF)

There are no restrictions on the transfer of securities.

### c) Major stakes in the capital (pursuant to art. 123-bis, paragraph 1, letter c), TUF)

Shareholders with shares exceeding 2% of the company capital, as resulting from the register of members, the announcements received pursuant to art. 120 TUF, and other available information, at 31 December 2010 are as follows:

| DECLARANT                   | DIRECT SHAREHOLDER           | NO. OF SHARES     | % STAKE        |
|-----------------------------|------------------------------|-------------------|----------------|
| FIN.AST S.r.l.              | FIN.AST. S.r.l.              | 39,063,495        | 39.689%        |
|                             | Finetupar International S.A. | 12,327,967        | 12.525%        |
|                             |                              | <b>51,391,462</b> | <b>52.214%</b> |
| Odin Forvaltning AS         | Odin Forvaltning AS          | 4,841,885         | 4.919%         |
| Pictet Asset Management Ltd | Pictet Asset Management Ltd  | 2,024,396         | 2.057%         |
| <b>TOTAL</b>                |                              | <b>58,257,743</b> | <b>59.190%</b> |

### d) Securities conferring special rights (pursuant to art. 123-bis, paragraph 1, letter d), TUF)

No securities conferring special control rights have been issued.

**e) Shareholding by employees: mechanism for exercising voting rights (pursuant to art. 123-bis, paragraph 1, letter e), TUF)**

No employee shareholding system has been established.

**f) Restrictions on voting rights (pursuant to art. 123-bis, paragraph 1, letter f), TUF)**

No restriction on voting rights is provided for.

**g) Agreements between shareholders (pursuant to art. 123-bis, paragraph 1, letter g), TUF)**

No corporate agreements or agreements between shareholders that fall under the purview of article 122 of the TUF (finance consolidation act) exist, or have been reported, or are known.

**h) Change of control clauses (pursuant to art. 123-bis, paragraph 1, letter h), TUF)**

Astaldi S.p.A. and its subsidiaries have entered no significant agreements that acquire effectiveness or lapse in the event of the contracting company's change of control.

**i) Delegations of power to increase the company capital and authorizations for the purchase of treasury shares (pursuant to art. 123-bis, paragraph 1, letter m), TUF)**

Astaldi S.p.A.'s Board of Directors has not been delegated to increase the company capital, or to issue shareholding financial instruments.

Astaldi S.p.A.'s Shareholders' Meeting of 23 April 2010 approved a **buy-back plan** for the Company, pursuant to articles 2357 and following of the Italian civil code, and art. 132 of Legislative Decree no. 58 of 24 February 1998, for a period of thirteen months (starting 27 April 2010 and through 27 May 2011), which involves for the possibility of:

- **purchasing** ordinary shares in the Company under a revolving ceiling of 9,842,490 shares for a par value of EUR 2.00 each, at a unit price of no less than EUR 2.00 and not exceeding the average price for the last 10 days of open exchange prior to the day of purchase, increased by 10%; with the additional constraint that the total amount of the shares shall at no time exceed EUR 24,600,000.00 (without prejudice to the limit of the profits that may be distributed, and the reserves available pursuant to art. 2357, first paragraph, of the Italian civil code);
- **selling** the purchased shares at a unit price of no less than the average price for the last 10 days of open exchange prior to the day of sale, reduced by 10%.

This Plan also states that the Board of Directors is authorized to place its treasury shares through share exchange operations during possible operations of a strategic nature in the Company's interest; in particular, these include exchange and/or conferral operations, provided that in them, the shares are valued at no less than the average book values of treasury shares held. Treasury shares may also be used at the service of stock grant and/or stock option plans, in this case as an exception to the aforementioned criterion for determining the sale price, which at any rate may be no less than the so-called "par value" established by tax regulations.

The Board of Directors is also authorized to carry out security loan operations – in which Astaldi S.p.A. acts as lender – with regard to treasury shares.

In carrying out what was decided upon, the Company, at 31 December 2010, held **821,979 treasury shares**.

**l) Management and coordination activity (pursuant to art. 2497 and following of the Italian civil code)**

Astaldi S.p.A. is **not subject to the "management and coordination"** of any of its shareholders, since the Company's Board of Directors makes, in full and complete independence and autonomy, any and the most appropriate decisions with regard to managing the Company's activity.

\* \* \* \* \*

Lastly, it is specified that:

- the information required by art. 123-bis, first paragraph, letter i) (*“agreements between the company and the directors ... which require compensation in the event of resignation or dismissal without just cause, or if their employment relationship ceases following a public purchase bid”*) is illustrated in the Report’s section dedicated to the directors’ remuneration (Sect. 9);
- the information required by art. 123-bis, first paragraph, letter l) (*“regulations applicable to the appointment and replacement of directors ... as well as to the modification of the Bylaws, if differing from the legislative and regulatory rules applicable on a supplementary basis”*) is illustrated in the Report’s section dedicated to the Board of Directors (Sect. 4.1)

### **3. COMPLIANCE (pursuant to art. 123-bis, paragraph 2, letter a), TUF)**

Astaldi S.p.A., also as a company listed on the STAR Segment, adheres to the Self-Regulation Code of Listed Companies (***Codice di Autodisciplina delle società quotate***) prepared by Borsa Italiana S.p.A. It should be kept in mind that this Code may be accessed at Borsa Italiana S.p.A.’s website ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

Astaldi S.p.A. and its strategic subsidiaries are not subject to non-Italian provisions of law influencing the Company’s corporate governance structure.

## **4. BOARD OF DIRECTORS**

### **4.1 APPOINTMENT AND REPLACEMENT (pursuant to art. 123-bis, paragraph 1, letter l), TUF)**

Pursuant to the provisions of the relevant regulations, Astaldi S.p.A.’s Bylaws call for the **“slate voting”** system to appoint its Board of Directors.

In particular, the Bylaws establish that slates may be submitted by those shareholders that, on their own or along with other shareholders that contribute towards **submitting** the same slate, hold shares that taken together represent at least **2.5%** of the company capital (or such lesser amount as is provided for by the applicable regulatory or legal provisions) entitled to vote at the ordinary Shareholders’ Meeting.

Again in accordance with the provisions of the Bylaws, the slates, signed by those submitting them and including the indications required by law, shall be **lodged** at the Company’s main office in the manner and by the deadlines provided for by the applicable regulations.

Directors are **elected** by the following process:

- 1) from the slate that has obtained the greatest number of votes cast by the shareholders, a number of Directors equal to the total number of the Board members established by the Shareholders’ Meeting, minus one, is drawn in the progressive order in which they are listed on the slate. If no slate has garnered a greater number of votes than the others, the Shareholders’ Meeting shall be called again for a new vote to be held pursuant to the Bylaws;
- 2) from the slate that has garnered the second-highest number of votes and that, based on the criteria established by the regulations in force governing the election of minority auditors, is not connected to the shareholders that have submitted or voted upon the slate that garnered the highest number of votes, a Director is drawn, in the person of the candidate indicated with the first number on said slate. Should a number of minority slates have garnered the same number of votes, the candidate most senior in age among those who come first on the slates earning an equal number of votes shall be elected director.

Should a **single slate** be submitted, or should no slate be submitted, the Shareholders' Meeting shall make its decision by the legally required majorities, without observing the above procedure.

For the purpose of the **apportionment** of directors to be elected, no consideration is made of the slates that have not garnered a percentage of votes at least equal to one half of that required for the purposes of submitting the slates.

The Bylaws establish that the slates must be accompanied, among other things, by statements from the candidates declaring, under their own responsibility, that they possess, where applicable, the **independence requirements** provided for by law.

Moreover, in order to ensure the election of the **least number of independent Directors** based on the requirements pursuant to art. 147-ter, paragraph 4, TUF, the Bylaws expressly establish that *"each slate must contain the candidacy of persons having the independence requirements established by law, and at least equal to the number of independent directors that must, by law, be present in the Board of Directors."*

The Company is not subject to additional regulations on the composition of the Board of Directors.

#### **4.2 COMPOSITION (pursuant to art. 123-bis, paragraph 2, letter d), TUF)**

Astaldi S.p.A.'s Board of Directors was appointed on 23 April 2010 for the financial years 2010/2012, and its term **shall expire upon the approval of the financial statements at 31 December 2012**.

The aforementioned appointment was made, in compliance with the provisions of the company's Bylaws and of art. 147 ter of the TUF, based on a single slate submitted by the shareholder Fin.Ast. S.r.l. Said slate was elected with the favourable vote of 95.408% of the company capital in attendance at the Shareholders' Meeting. On the other hand, no minority slate pursuant to paragraph 3 of art. 147 ter of the TUF and pursuant to the company's Bylaws was submitted.

As regards the personal and professional characteristics of each director, reference should be made to the content published on the Company's website ([www.astaldi.com](http://www.astaldi.com)) in the Section "Governance" – Sub-section "Board of Directors."

As regards the composition and characteristics of the Board of Directors in office, reference should be made to Tables 2, 2-bis, and 3 in the appendix, keeping in mind that, as per the press release dated 25 February 2011, Mr. Vittorio Di Paola, on that same date, announced he was leaving office as Member of the Company's Board of Directors. Mr. Vittorio Di Paola is at present the Company's Honorary Chairman.

At the next Shareholders' Meeting this coming 18 April 2011 – pursuant to the Convocation Notice published 09 March 2011 on the company's website (Governance/Shareholders' Meeting Section) as well as in the nationally circulated newspaper *Il Sole 24 Ore* – the appropriate decisions in this regard shall be taken.

#### **Maximum cumulative number of offices held in other companies**

On this point, it is stressed that the Company's Board of Directors has identified the general criteria adopted by the Company with regard to the maximum (cumulative) number of offices as director or auditor that the Members of the Company's Board of Directors may have in other companies listed on regulated markets (including overseas), in financial, banking, or insurance companies, or companies of significant size, as provided for by art. 1.C.3 of the Self-Regulation Code.

In particular, the Board of Directors, on this occasion, has determined:

- the maximum (cumulative) number of **6** offices as director or auditor for “*non-executive*” and “*independent*” directors;
- the maximum (cumulative) number of **4** offices as director or auditor for “*executive*” directors.

However, for the purposes of the above calculation, no consideration is made of the offices of director or auditor held by Astaldi S.p.A.’s Board Members within Group companies.

#### **4.3 ROLE OF THE BOARD OF DIRECTORS (pursuant to art. 123-bis, paragraph 2, letter d), TUF)**

The Board of Directors plays a central role in the corporate organization. Indeed, it bears responsibility for the Company’s strategic and organizational lines, and is charged with verifying that the controls needed to monitor the Company’s and the Group’s trends are in place. Pursuant to art. 22 of the company’s Bylaws, the Board is vested with the broadest powers for managing the Company.

In line with the provisions of the Bylaws, during financial year 2010 **8 Board meetings** were held, for an **average duration** of 2 hours per meeting, with a limited number of absences – all justified – of the Members of the Board of Directors and of the Auditors.

In compliance with the Borsa’s regulations in this regard, the Board of Directors approved and subsequently announced to Borsa Italiana S.p.A. and to the market, with reference to financial year 2011, the **calendar** of dates of the upcoming Board meetings for approving the draft of the financial statements, the half-year financial report, and the interim management reports (referred to as the “*2011 Financial Calendar*”), as illustrated below and available on the company’s website (Governance/Financial Calendar section).

| DATE                               | COMPANY EVENT         | PURPOSE  |
|------------------------------------|-----------------------|--|
| 14 February 2011<br>(already held) | Board of Directors    | Approval of the <b>Interim Management Report</b> for the fourth quarter of 2010  |
| 16 March 2011                      | Board of Directors    | Approval of the <b>draft of the parent company’s financial statements and of the consolidated financial statements</b> for financial year 2010 |
| 18 April 2011                      | Shareholders’ Meeting | Approval of the <b>financial statements</b> for financial year 2010  |
| 11 May 2011                        | Board of Directors    | Approval of the <b>Interim Management Report</b> for the first quarter of 2011   |
| 4 August 2011                      | Board of Directors    | Approval of the <b>Half-Year Financial Report</b> at 30 June 2011  |
| 9 November 2011                    | Board of Directors    | Approval of the <b>Interim Management Report</b> for the third quarter of 2011   |

In addition to the aforementioned date of 14 February 2011, the Board of Directors also met on 21 January 2011. This meeting was not included on the above Financial Calendar since it did not examine the Company's financial reports and/or accounting documents.

It is stressed that the **pre-meeting documentation** is distributed by the Secretary of the Board of Directors, assigned by the Chairman, to the Board members (in electronic format) prior to the Board meeting, in order to ensure complete and correct assessment of the items brought to the Board's attention.

Moreover, Company managers may be asked to attend as **invitees**, in order to provide further appropriate analysis on the items on the agenda.

\* \* \* \* \*

In particular, the Board of Directors, in compliance with **Applicative Criterion 1.C.1 of the Self-Regulation Code** of listed companies:

- a) examines and approves the strategic, industrial, and financial plans of the Company and the Group, as well as the Company's corporate governance system and the Group's structure;
- b) assesses the suitability of the organizational, administrative, and general accounting arrangement of the Company and of the subsidiaries of strategic importance, prepared by the Chief Executive Officer, with particular reference to the internal control system and to handling conflicts of interest;
- c) having examined the relevant Committee's proposals and having heard the Board of Auditors, determines the remuneration of the Chief Executive Officer and of the other directors holding particular offices;
- d) assesses the general management trend;
- e) delegates and revokes the Chief Executive Officer's powers, defining the limits and mode of exercise thereof; also establishes the frequency, which shall at any rate be at least quarterly, with which the delegated parties must report to the Board as to the activity performed in exercising the powers delegated to them;
- f) examines and approves in advance the operations of the Company and of its subsidiaries, when these operations have a significant strategic, economic, property, or financial importance for the Company, with particular reference to the operations with the related parties.

With regard to **Applicative Criterion 1.C.1, letter d) of the Self-Regulation Code**, it is specified that:

- (i) the Shareholders' Meeting of 23 April 2010 determined, pursuant to art. 2389, first paragraph, of the Italian civil code, the yearly gross remuneration of EUR 50,000 for each member of the Company's Board of Directors;
- (ii) the Board Members Maurizio Poloni and Luigi Guidobono Cavalchini, in light of the mandate received during the Board meeting of 23 April 2010, based on the proposal formulated by the Remuneration Committee and having also heard the Board of Auditors, saw to determining the remuneration pursuant to art. 2389, third paragraph of the Italian civil code, for financial years 2010-2012, to the Honorary Chairman, the Chairman, the Deputy Chairmen, and the Chief Executive Officer.

The Board, pursuant to **Applicative Criterion 1.C.1, letter e) of the Self-Regulation Code**, on the occasion of the meetings held during financial year 2010, regularly assessed the general management trend, also on the strength of the information received from the delegated bodies, periodically comparing the achieved with the planned results.



Pursuant to **Applicative Criterion 1.C.1, letter f) of the Self-Regulation Code**, reserved for the Board of Directors is the prior examination and approval of the operations, including those with related parties, of the Company and of its subsidiaries, when these operations have a significant strategic, economic, property, or financial importance.

With particular regard to **operations with related parties**, reference is to be made to that which is illustrated hereunder, in paragraph 12 of this Report.

With reference to **Applicative Criterion 1.C.4. of the Self-Regulation Code**, it is stressed that the Shareholders' Meeting of Astaldi S.p.A. has not authorized, either generally or in advance, exceptions to the competition prohibition provided for by art. 2390 of the Italian civil code.

#### **4.4. DELEGATED BODIES**

##### **CHIEF EXECUTIVE OFFICER**

The Company's Board of Directors, at its meeting of 23 April 2010, appointed Mr. Stefano Cerri as **Chief Executive Officer**, with the task, in particular, of identifying, in agreement with the Chairman and with the Deputy Chairman Giuseppe Cafiero, the Company's development strategies to be submitted to the Board of Directors, and seeing that they are implemented in accordance with the Board's directives and decisions.

##### **CHAIRMAN**

The Board of Directors' activities are coordinated by the **Chairman**. He calls the Board meetings and guides their proceedings, ensuring that the Board Members are given, with reasonable lead time – except for cases of necessity and urgency – the documentation and information needed for the Board to be able to express itself in an informed way on the matters submitted for its examination.

**The position of "lead independent director"** is not provided for, since the Chairman of the Board of Directors holds no delegated powers that attribute to him, exclusively, responsibility for the Company's management, nor does he "control" the Company.

##### **BOARD BRIEFING**

The Chief Executive Officer reports constantly – and on **at least a quarterly basis** pursuant to the Bylaws – to the Board of Directors and the Board of Auditors as to the main activities performed in discharging his duties.

#### **4.5 OTHER EXECUTIVE BOARD MEMBERS**

The Board of Directors, as shown in Table 2 in the appendix, currently consists of **3 executive Directors** holding directive offices in the Company.

#### **4.6. INDEPENDENT DIRECTORS**

Following its appointment at the Shareholders' Meeting on 23 April 2010, the Board of Directors, pursuant to **Applicative Criterion 3.C.4 of the Self-Regulation Code**, verified the existence of the **independence requirements** for the Directors Giorgio Cirila, Paolo Cuccia, Mario Lupo, Eugenio Pinto, and Maurizio Poloni. This verification was made in light of the independence parameters indicated by the Code, as well as the significance criteria provided for by Borsa Italiana S.p.A.'s instructions.

The Board of Auditors has verified the proper application of the ascertainment criteria and procedures adopted by the Board of Directors to assess its members' independence.

The outcome of these assessments was then announced to the market on 23 April 2010 (see the press release available on the company's website, Media Center/Press Releases section).



At the Board meeting of 16 March 2011, a new assessment was made in this regard. The outcome of this verification, with reference to financial year 2010, will be announced to the market by the Board of Auditors in the auditors' report at the next Shareholders' Meeting.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

It is stressed that, in the absence of the prerequisites pursuant to the Self-Regulation Code (*Applicative Criterion 2.C.3*), also in light of point 4.4. above, the Board did not deem it fit to designate the figure of **"lead independent director."**

### **5. PROCESSING OF COMPANY INFORMATION**

Pursuant to **Applicative Criterion 4.C.1 of the Self-Regulation Code**, the Company, in order to guarantee proper internal management and prompt communication to the outside of any important fact that takes place in the sphere of activity of the Company and of its subsidiaries, and that, at least potentially, is capable of appreciably influencing the prices of the Company's shares (so-called *"price-sensitive information"*), relies on its internal **"Continuous Information"** procedure.

In sum, the procedure in question identifies, within the company, the timing and methods for transmitting and disseminating this information, and the involvement of the departments involved from time to time, requiring the resources most in contact with the aforementioned information to act as liaison between their area of responsibility and the corporate top management, in such a way as to allow said facts or information to be appropriately assessed.

As the next step, the involvement of an Assessment Committee is also provided for (formed by the managers of the Legal, Corporate Affairs, and Corporate Governance Department and the Investor Relations Department, as well as by the Management in question) in order to provide, after careful analysis of the fact, appropriate assistance in properly interpreting the sector's regulations on the one hand, while formulating and disseminating said communications, where applicable, on the other.

### **6. COMMITTEES WITHIN THE BOARD**

**(pursuant to art. 123-bis, paragraph 2, letter d), TUF)**

The Company has instituted a Remuneration Committee and an Internal Control Committee.

### **7. APPOINTMENTS COMMITTEE**

The Board currently in office has not deemed it necessary to institute a Committee for appointing Directors, since at the present time, there are no situations of difficulty in preparing candidacies to fill corporate offices.

### **8. REMUNERATION COMMITTEE**

On 05 February 2002, the Company instituted a Committee for Remuneration and stock option plans, and the assignment of shares, where applicable.

#### **Composition and function of the Remuneration Committee (pursuant to art. 123-bis, paragraph 2, letter d), TUF)**

Following the Shareholders' Meeting decision of 23 April 2010 as to the composition of the Board of Directors for financial years 2010-2012, the Board, at its meeting on that date, confirmed, as members of the Committee in question, Board Members Ernesto Monti and Maurizio Poloni, and appointed as new member of the Committee Mr. Eugenio Pinto (replacing Franco A. Grassini).

In light of the above, the Remuneration Committee thus continues to be composed of three non-executive Directors, the majority of whom independent, in accordance with the following scheme:

Ernesto Monti (Chairman)

Non-executive

Eugenio Pinto  
Maurizio Poloni

Non-executive/Independent  
Non-executive/Independent

During financial year 2010, six meetings of the Remuneration Committee were held (one of which by the Remuneration Committee previously in office), for an average duration of 30 minutes, with all Committee members in attendance.

In accordance with the topics dealt with, the Committee asked subjects outside the Committee, among whom, in particular, the Chairman and Chief Executive Officer, to attend its meetings.

As to the composition and features of the Remuneration Committee in office, see Table 2 in the appendix.

### **Functions of the Remuneration Committee**

The Committee in question, in compliance with **Applicative Criterion 7.C.5 of the Self-Regulation Code**, essentially has the task of:

- periodically assessing the suitability, overall consistency, and concrete application of the general policy adopted for remunerating the executive directors, other directors vested with particular offices, and managers with strategic responsibilities, relying in this regard on the information provided by the Chief Executive Officer;
- making proposals in these matters to the Board of Directors;
- submitting to the Board of Directors proposals on the remuneration of the executive directors and of the other directors vested with particular offices, as well as on setting the performance objectives correlated with the variable component of said remuneration;
- monitoring the application of the decisions adopted by the Board, verifying in particular that the performance objectives are actually achieved;
- providing opinions on the questions submitted for its assessment by the Board of Directors from time to time, with regard to remuneration, or related to or connected with remuneration.

During the six meetings held in 2010, the minutes of which were all duly drawn up, the Committee in question performed functions of consultation and making proposals, in particular, with regard to defining:

- the remuneration pursuant to art. 2389, third paragraph, of the Italian civil code, to the Honorary Chairman, the Chairman, the Deputy Chairmen, and the Chief Executive Officer;
- the 2010-2012 Incentive Plan as illustrated in paragraph 9 below;
- the parameters upon the achievement of which the stock grants for financial year 2010 will be assigned.

To perform its functions as referred to above, the Committee has had access to the necessary information, through the responsible company offices, with the aid of the Manager of the Legal, Corporate Affairs, and Corporate Governance Department.

## **9. REMUNERATION OF DIRECTORS**

The Shareholders' Meeting of 05 November 2010 approved the guidelines of the **"Company Incentive Plan" for 2010-2012**, as previously defined by the Board of Directors meeting of 03 August 2010, at the Remuneration Committee's proposal of 02 August 2010. Subsequently, the Board of Directors meeting of 10 November 2010, based on the delegated power received during the aforementioned Shareholders' Meeting, approved the pertinent Regulations implementing the Plan.

In particular, the Plan in question is based on a system of rewards aimed mainly at the **gratuitous assignment of Astaldi S.p.A. shares** to five top management figures (the Chief Executive Officer and the four General Managers), to be paid on a yearly basis over the course of the three years, upon achieving the performance objectives defined annually by the Board of Directors, at the proposal of the Remuneration Committee.

For the details of the aforementioned Incentive Plan, reference is to be made to the *“Information Document pursuant to art. 84-bis, paragraph 1, of the Regulations adopted by CONSOB with Decision no. 11971 of 14 May 1999, as subsequently modified and supplemented, regarding the Astaldi S.p.A. 2010-2012 Incentive Plan”* published on the company website (Governance/Documents section).

It is stressed that if, on the date the shares are assigned, or their countervalue is paid, the beneficiary is no longer the Company's Chief Executive Officer or General Manager, the beneficiary shall be entitled to an assignment of shares, or to the payment of the countervalue of the shares, in the permitted cases, in proportion to the period of duration in office in the year with reference to which the assignment was made, or the countervalue paid, provided that the objectives established in advance by the Board of Directors have been achieved, and with the following limitations:

- a) in the event of cessation of the administration or employment relationship at the Company's initiative, with just cause, or in the event of withdrawal without just cause and with no notice by the beneficiary, the Body endowed with the power to manage the Incentive Plan may decide for the beneficiary to lose the aforementioned right entirely. Moreover, if the shares have already been assigned, but the lock-up periods provided for by the Plan have yet to expire, the Company shall be entitled, within 60 days of the date of termination of the administration or employment relationship, to exercise the call option on all the shares held by the Participant as of the date of cessation of the administration relationship, at a per-share purchase price equal to its par value;
- b) in the event of consensual termination of the administration or employment relationship, or in the case of cessation of the aforementioned relationship at the Company's initiative, without just cause, or of abandonment or withdrawal for just cause, or at any rate with appropriate notice by the beneficiary, the beneficiary shall maintain the right to the assignment of the shares and, if the shares are already assigned, shall be entitled to withhold and/or transfer the shares assigned to the beneficiary, in compliance with the lock-up periods provided for by the Plan.

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It is specified that the remuneration of the non-executive Directors is not linked to the economic results achieved by the Company, nor are the share-based incentive plans addressed to them.

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**Compensation of Directors in the event of resignation, dismissal, or cessation of the relationship following a takeover bid (pursuant to art. 123-bis, paragraph 1, letter i), TUF)**

No agreements with the Company Directors are in place that involve compensation in the event of resignation, dismissal, or revocation without just cause, or cessation of the relationship following a takeover bid.

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Lastly, it is stressed that there are no:

- a) agreements involving the assignment or maintenance of non-monetary benefits to subjects no longer in their position (referred to as “postretirement perks”), or executing consulting contracts for a period following the cessation of the relationship;
- b) agreements involving compensation for non-competition commitments.

## 10. INTERNAL CONTROL COMMITTEE

On 05 February 2002, the Company instituted an Internal Control Committee.

### **Composition and function of the Internal Control Committee (pursuant to art. 123-bis, paragraph 2, letter d) TUF)**

Following the Shareholders' Meeting decision of 23 April 2010 as to the composition of the Board of Directors for financial years 2010-2012, the Board, at its meeting on that date, confirmed, as members of the Committee in question, Board Members Mario Lupo and Luigi Guidobono Cavalchini, and appointed as a new member of the Committee Mr. Eugenio Pinto (replacing Franco A. Grassini).

The Internal Control Committee currently in office thus continues to be composed of three non-executive Directors, the majority of whom independent, in accordance with the following scheme:

- Mario Lupo (Chairman) Non-executive/Independent
- Luigi Guidobono Cavalchini Non-executive/Independent
- Eugenio Pinto Non-executive/Independent/accounting and finance expert

During 2010, the Committee held four meetings, for an average duration of two hours, attended by the majority of the members of the Committee in question. The Committee meets quarterly.

As to the composition and features of the Internal Control Committee in office, see Table 2 in the appendix.

### **Functions attributed to the Internal Control Committee**

The Committee's functions are to provide consultation and make proposals to the Board of Directors, with regard to the activities of oversight over the Company's general management trends.

The **Internal Control Committee** operates in line with the provisions of articles 8.C.1 and 8.C.3 of the Self-Regulation Code of listed companies.

More specifically, it has the following **duties**:

- a) assisting the Board of Directors in assessing the appropriateness, effectiveness, and actual function of the internal control system;
- b) assessing, along with the Executive appointed to draft corporate accounts and with the auditors, the proper use of accounting standards, and their homogeneity for the purposes of drawing up the consolidated financial statements;
- c) at the request of the executive director hired for this purpose, expressing opinions on specific aspects related to identifying the main company risks, as well as those related to the design, development, and management of the internal control system;
- d) examining the work plan prepared by the Employee charge with Internal Control, as well as the periodic reports that said Employee has written up;
- e) reporting to the Board, at least once every six months, on the occasion of the approval of the financial statements, and of the half-year report, on the activity carried out and on the suitability of the internal control system;
- f) discharging the additional duties attributed by the Board of Directors.

Based on the developments in interpretation brought about by Legislative Decree no. 39/2010 on the legal auditing of the yearly and consolidated accounts, with regard to the provisions of art. 19 and of Borsa Italiana S.p.A.'s Notice no. 18916, the Board of Auditors is vested with the following activities pursuant to art. 8.C.3, letter d) and letter e) of the Self-Regulation Code:

- evaluating the bids made by the auditing companies in order to be commissioned the job, as well as the work plan prepared for the audit, and the results set out in the report and in the recommendations letter, if any;
- overseeing the effectiveness of the accounts auditing process.

During the four meetings held in 2010, the Committee performed control activities and dealt with issues of differing interest; those with the most important content are signalled below:

- it examined and approved the work plan prepared by the Employee charged with Internal Control, and was at the same time constantly briefed on the control activities planned and implemented during the financial year, with regard to the management of the main corporate risks;
- it agreed with the results of the risk assessments made on the company's "business" and "support" processes;
- following the same operating procedures adopted in previous financial years, it agreed with the results of the audits for the year 2009, made on the main company processes that affected a sample of projects selected in Italy and abroad, and on corporate activities; this made it possible to assess the company's internal control system as suitable, efficient, and effective overall;
- it was informed as to the results of the auditing activities carried out during financial year 2008 (follow-up), with reference to the remedy actions recommended by Management to the pertinent project departments;
- it was constantly briefed on the company's activities implemented and on the controls made to guarantee safety at the work sites, with a positive assessment of the actions undertaken by the company, aimed at confirming the adopted business model's substantial suitability with regard to the HSE component;
- along with the Executive appointed to draft corporate accounts, the auditing firm that was hired, and the Board of Auditors, it assessed the proper use of the accounting standards and their homogeneity for the purposes of drawing up the consolidated financial statements;
- based on the results of the consolidated financial statements at 31 December 2009, it verified the proper application of the standards for identifying "significantly important" subsidiary companies for the purposes and to the effects of the combined provisions of articles 165, paragraph 1, of Legislative Decree no. 58/98, and 151 of CONSOB Regulation no. 11971 of 14 September 1999, and subsequent modifications;
- it was briefed by the Executive appointed to draft corporate accounts, on the results of the testing activities performed on a sample of Italian and foreign projects selected for 2009, finding, jointly with the Board of Auditors, the internal control system to be suitable, efficient, and effective with specific reference to financial information;
- through the Board of Auditors, it was briefed on the effects derived from the application of IFRIC 12 to the ASTALDI Group's Concessions;
- with reference to the new CONSOB regulation, approved on 12 March 2010, on related parties, it was briefed on the procedures adopted and/or implemented by the Company as regards strengthening the safeguards of transparency and procedural correctness of the aforementioned operations, with the objective of preventing the risks of conflict of interest;
- following the meeting with the Chief Executive Officer, it examined the main corporate strategic risks with reference to the 2010-2015 Business Plan;
- it met the Corporate Risk Management Department, instituted on 13 July 2010 with the primary task of redesigning and managing the risks system at the various levels of the organization, in order to assist Management in the decision-making process aimed at minimizing risk throughout the entire company business cycle, and in the various contractual settings;
- it was constantly briefed on the company activities implemented pursuant to Legislative Decree no. 231/01, and, following recent legislative developments introduced into the corpus of Legislative

Decree no. 231/01, it agreed to the revision of the Company's Organization, Management, and Control Model, which was approved at the Board meeting of 03 August 2010, following the prior examination by the Supervisory Body, which deemed it suitable for preventing the commission of the crimes referred to by those regulations.

During the meetings of 03 August 2010 and 16 March 2011, it reported to the Board of Directors on the activity performed respectively in the first and second half of 2010.

**During financial year 2011**, a joint meeting of the Internal Control Committee with the Supervisory Body and the Board of Auditors was held on 20 January 2011; the meeting analyzed the flows of information between the Company's Control and Supervisory Bodies, also in light of the content of the Self-Regulation Code, under paragraph 8.C.2, with regard to the Organization and Management Models adopted pursuant to Legislative Decree no. 231/01.

A meeting of the Internal Control Committee was also held on 14 March 2011, at which the Committee:

- examined the audit activities for the purposes of internal control for 2010; this made it possible to assess the company's internal control system as suitable, efficient, and effective overall;
- it was informed as to the results achieved in the auditing activities carried out during financial year 2009 (follow-up) with reference to the remedy actions recommended by Management to the pertinent project departments;
- it was briefed by the Executive appointed to draft corporate accounts, on the results of the testing activities performed on a sample of Italian and foreign projects selected for 2010, finding the internal control system to be suitable, efficient, and effective with specific reference to financial information.

\* \* \* \* \*

The Committee's meetings were attended by the Chairman of the Board of Auditors, or by an auditor designated by same. The meetings were also attended, with respect to specific topics, by non-member parties, at the Committee's invitation. The Employee charged with Internal Control serves as the Committee's secretary, drawing up the minutes of the meeting and assisting the Committee in performing its functions.

To perform its functions as indicated above, the Committee had access to the necessary information, through the various corporate departments, with the assistance of the Employee charged with Internal Control.

## **11. INTERNAL CONTROL SYSTEM**

Having operated for years in a sector marked by growing competition with large national and international companies and groups, the Company has defined and implemented the corporate control activity in order to meet the internal and external needs required over the years by shareholders, by government and corporate control bodies, and by laws and regulations of reference.

The listing of the shares on the market regulated, organized, and managed by Borsa Italiana S.p.A., "STAR" segment, and the consequent many different internal and external subjects with assurance functions, have provided the occasion to streamline the internal control activities, with a framework of reference in line with the "Corporate Governance for Listed Companies" regulations.

The main methodological reference used by the company is the CO.S.O. Report which, when appropriately adapted to the company's particular features, is an effective analytical tool for assessing the Company's Internal Control System in its various components and providing top management with a



clear vision of the points of improvement of the Internal Control System in terms of effectiveness and efficiency.

**Astaldi S.p.A.'s Internal Control System** consists of the set of directives, internal regulations, procedures, and processes supporting the identification, prevention, and management of corporate risks, with the objective of providing top management with reasonable certainty as to achieving the objectives in the following categories:

- a) the individual company activities' compliance with the object that the company sets out to achieve, and with the directives issued by top management in accordance with internal and external regulations;
- b) the effectiveness and efficiency of the operative activities;
- c) the reliability of information and of economic and financial reporting;
- d) the safeguarding of company assets, identifying behaviours harmful to the company's interest, and/or fraud.

The Board of Directors – in keeping with the lines of orientation of the internal control system defined by it, and with the constant aid, in consultation and making proposals, of the Internal Control Committee – ascertains that the main risks regarding Astaldi S.p.A. and its subsidiaries are properly identified, measured, managed, and monitored for a healthy and proper management of the company.

At its meeting of 16 March 2011, also on the basis of the results of the activity performed by the Internal Control Committee, the Board of Directors expressed its positive assessment as to the suitability, effectiveness, and actual function of the Company's internal control system.

As regards the specific assessments regarding the suitability, operation, and function of the internal control system, reference is to be made to the content of sections 11.1 and 11.2.

#### **MAIN FEATURES OF THE RISK MANAGEMENT AND INTERNAL CONTROL SYSTEMS EXISTING WITH REGARD TO THE FINANCIAL INFORMATION PROCESS**

With reference to the **financial information** – which is an integral part of the internal control system – the activities are managed by a corporate operative structure for this purpose, which operates in support of Executive appointed to draft corporate accounts.

The risk management system regarding the financial information process is an integral part of the internal controls system implemented by the Company, as an essential component of the corporate processes aimed at guaranteeing reliable, accurate, and timely economic and financial information.

The approach followed by the Company, based on the best practises of reference, and in particular on the Co.S.O. Framework, originates from a corporate control environment that focuses special attention on defining the main principles of corporate governance. The risk management system and more generally the internal controls system in fact calls for formalizing special administrative and accounting procedures, defining the roles and relative responsibilities through an organizational chart and its delegations of functions; internal regulations and codes of behaviour; and the separation of functions.

In particular, the definition of the processes and of the corresponding controls derives from the constant identification and analysis of those interior and exterior factors that may compromise the achievement of the company objectives, for the purposes of determining how these risks may be managed (identification, measurement, and monitoring), in order to ensure a proper production of financial information.

For this purpose, hierarchical/functional line/operative (or first level) controls are defined, on risk management and compliance with internal and external (second level controls) and internal review (third level controls) rules. In particular, verification of the effectiveness of the system of controls overseeing the risks that may have important effects on economic and financial information takes place



through a testing activity, on the occasion of both the yearly and the mid-year (every six months) accounts closings, and is marked by a top-down approach identifying the entities, processes, and accounting items in question. In this regard, the entities are sampled for economic and financial significance in the parent company's financial statements and consolidated financial statements. This specific testing activity is carried out by a dedicated structure that depends on the Executive appointed to draft corporate accounts, and the results of the verification, as well as any suggested corrective actions, are submitted for examination by said Executive and by the Board of Directors.

To complete the main characteristics, it bears mentioning that since the introduction of Law no. 262/05, the Group Leader ordered the yearly and the mid-year (every six months) accounting situations of the branches and subsidiaries to be accompanied by a written certification signed by the legal representatives and administrative managers of the indicated entities. The certification form reflects that provided for by the CONSOB regulations implementing Law no. 262/05.

The adopted system is subject to monitoring and continuous updating.

#### **11.1 EXECUTIVE DIRECTOR IN CHARGE OF THE INTERNAL CONTROL SYSTEM**

In light of the provisions of **art. 8.C.1 of the Self-Regulation Code**, the Company's Board of Directors, at its meeting of 23 April 2010, confirmed **Chief Executive Officer Stefano Cerri** as the ***"executive director in charge of overseeing the function of the internal control system,"*** discharging the duties pursuant to art. 8.C.5 of this Code in line with the company's control model.

More particularly, the Chief Executive Officer:

- sees to identifying the main company risks, taking into account the features of the activities performed by the issuing company and its subsidiaries, and submits them periodically for examination by the Board of Directors;
- implements the lines of orientation defined by the Board of Directors, seeing to the design, development, and management of the internal control system, constantly verifying its overall suitability, effectiveness, and efficiency; also deals with adapting this system to the dynamics of the operating conditions and of the legislative and regulatory landscape;
- proposes to the Board of Directors the appointment and remuneration of one or more employees charged with internal control.

#### **11.2 EMPLOYEE CHARGED WITH INTERNAL CONTROL**

In line with the requirements of the Self-Regulation Code, art. 8.C.1., the Company's Board of Directors has appointed the Employee charged with Internal Control.

The appointment was made at the proposal of the Chief Executive Officer in charge of the internal control system, having heard the opinion of the Internal Control Committee.

Since 13 May 2009, the Company's **Employee charged with Internal Control** has been Fabio Accardi, who is the manager of the Company's Internal Control Department and reports to the Board of Directors in the hierarchy, and functionally to the Chief Executive Officer charged with overseeing the Company's Internal Control System.

The Employee charged with Internal Control:

- a) is responsible for verifying that the internal control system is always adequate, fully operative, and in operation;
- b) has direct access to all the information of use for discharging his duties, also having means suitable for performing the assigned function;
- c) reports on his doings to the Internal Control Committee and to the Board of Auditors, as well as to the Chief Executive Officer charged with overseeing the Company's Internal Control System. In particular, he shall report as to the procedures by which risk management is conducted, as

well as on compliance with the plans defined to contain said risks, and shall express his assessment as to the internal control system's suitability for achieving an acceptable overall risk profile;

- d) works with the Group Leader Astaldi S.p.A.'s Supervisory Body for updating the Organization, management, and control Model pursuant to Legislative Decree no. 231/01, and is of assistance for performing the activities to monitor and verify compliance with said model (see also section 11.3).

The Employee charged with Internal Control is not responsible for any operative area, and does not report to any manager of operative areas.

The Internal Control function is implemented based on the best national and international practises, with the objective of carrying out all the actions that are necessary and appropriate for controlling company processes, including those of guiding, monitoring, and detecting critical areas in the corporate organization, and opportunities to improve it.

The internal audit activities are performed through the Integrated Internal Control System understood as the operative procedure for streamlining, integrating, and coordinating the verification and control activities carried out by various company offices that perform assurance activities, based on a yearly schedule that is shared with the Internal Control Committee and with top management.

The Internal Control activities performed during the financial year were implemented in compliance with the work plan approved by the Internal Control Committee. In this regard, reference should be made to the indications made in sections 10 and 11.3 of that report.

In addition to top management, the results of the controls are periodically reported by the Employee charged with Internal Control to the Internal Control Committee as well as to the Board of Auditors and to the Supervisory Body for the specific purposes pursuant to Legislative Decree no. 231/01.

### **11.3 ORGANIZATIONAL MODEL PURSUANT TO LEGISLATIVE DECREE NO. 231/2001**

With reference to the additional actions implemented to strengthen the governance system, it bears mentioning that the Board of Directors of Astaldi S.p.A. and of the subsidiary companies of strategic importance have adopted a **"Company ethical code"** that establishes general principles, regulating, through norms of behaviour, the activity of employees and collaborators, also with regard to relations with shareholders, public administration, suppliers, contractors, and subcontractors.

In particular, the Code establishes:

- the general principles, and the values of reference, to which Astaldi S.p.A. and the Group companies must adhere in performing their activities;
- the norms of behaviour with which the company's representatives, managers, and departments must comply in relations with a series of commercial, business, and financial counterparts;
- the main procedures for implementing the Code within the company's structure.

Moreover, the Board of Directors of Astaldi S.p.A. and of the subsidiary companies of strategic importance, within the scope of the activities under Legislative Decree no. 231/2001, approved the adoption of the **"Organization, management, and control model pursuant to Legislative Decree no. 231/01"** which, by identifying the company's activities and areas that are potentially at risk with regard to the various cases of crime provided for by said decree, is aimed at protecting the company in

the event of commission of the crimes pursuant to Legislative Decree no. 231/01 by the company's directors, employees, and collaborators.

The crime macro-categories that Astaldi S.p.A.'s Organizational Model intends to prevent are as follows:

- crimes against public administration of the state, or of another public body, and crimes of handling stolen goods and laundering;
- corporate crimes and crimes of abuse of privileged information and of manipulating the market;
- personal crimes;
- computer crimes;
- organized crime and crimes of obstructing justice.

In particular, the Model defines:

- the ethical principles with relation to the behaviours that may supplement the cases of crime provided for by the aforementioned decree;
- "sensitive" corporate crimes, which is to say those in which, by their very nature, the crimes pursuant to Legislative Decree no. 231/01 may be committed, and are thus to be subject to analysis and monitoring;
- the procedures for managing the financial resources allocated to preventing the commission of crimes;
- the rules for identifying the Supervisory Body and the attribution of specific tasks for overseeing the Model's proper function;
- the flows of information directed to the Supervisory Body;
- the activities of providing information and training on, raising awareness of, and spreading the rules of behaviour and the established procedures to all company levels;
- the responsibilities regarding the approval, supplementation, modifications, and adoption of the Model, as well as verification of its function and of corporate behaviour, with the pertinent periodic updating.

In this regard, it is stressed that the "Company ethical code" and the "Organization, management, and control model pursuant to Legislative Decree no. 231/01" are constantly updated in order to be brought in line with the regulations in force, and with the changing company organization arrangement.

For the purpose of preventing the risks/crimes provided for by Legislative Decree no. 231/01, Astaldi S.p.A. and the subsidiary companies of strategic importance also appointed an **Supervisory Body** whose members are endowed with the requirements of autonomy, independence, and professionalism required by the aforementioned regulations.

With reference to Astaldi S.p.A., the members of the Supervisory Board are: Maurizio Poloni, non-executive independent member of the Board of Directors, and – as experts from outside the Company – Marco Annoni, Giorgio Luceri, and Nicoletta Mincato, and Vittorio Mele, the latter serving as Chairman of the Supervisory Body.

The Oversight Body is endowed with regulations, is configured as a staff unit in a top management position, and reports, directly to the Chief Executive Officer in charge of overseeing the company's internal control system, the results of the activities, any critical areas discovered, and the corrective interventions and improvements that, in the event of particular importance, may also be brought to the attention of the Board of Directors.

The Body relies on the **Employee charged with Internal Control** to discharge duties and implement decisions regarding the affected corporate structures.

Financial year 2010 saw the continuation of the Oversight Body's activity aimed at overseeing the function of and compliance with the "Organization, management, and control Model pursuant to Legislative Decree no. 231/01." The Body met nine times, implementing the activities summarized here:

- review of the Organization, management, and control Model pursuant to Legislative Decree no. 231/01, following the renewal of the corporate offices of 23 April 2010, and the update of the organizational structure and of the company's organizational chart;
- examination of the new powers conferred, and evaluation of the aspects of impact on the system of controls associated with the crime risk processes provided for in the Company's Organizational model;
- preparation and sending to Management of specific notes providing further analysis on Legislative Decree no. 231/01 for crimes committed abroad;
- verification of the Model's actual application by the corporate structures, through specific audits on a sample of selected Italian and foreign orders, and regarding facts of relevance for the purposes of Legislative Decree no. 231/01 that emerged over the course of the audits on the Internal Control System, and in the examinations by the departments responsible for the main processes at risk/crimes;
- examination of the result of the verification activities performed and of the corrective actions implemented, following the recommendations expressed by the Oversight Body for resolving the critical areas that emerged;
- supplement to the form used for the periodic flow of information for the purposes of Legislative Decree no. 231/01, by the Project Managers, in order to take into account the disciplinary measures adopted, and additional information of potential interest to the Body;
- activities for training personnel in Legislative Decree no. 231/01, performed directly by the Oversight Body, or devolved upon the peripheral structures in Italy and abroad, in compliance with the guidelines established by the Oversight Body;
- performance, through the Employee charged with Internal Control, of investigations pursuant to art. 13 of the Ethical Code, with regard to suspected violations of the Organization, management, and control Model, expressing specific recommendations on those violations pertaining to occupational safety regulations (art. 25-*septies* of Legislative Decree no. 231/01) – also through on-site verifications performed by the Employee charged with Internal Control;
- joint meetings with the Board of Auditors and with the Internal Control Committee, for the mutual exchange of information on the control activities performed;
- monitoring of the activities performed by the Group's companies in adjusting to the provisions of Legislative Decree no. 231/01.

#### **11.4 AUDITING FIRM**

Astaldi S.p.A.'s corporate auditing is done by the auditing firm **Reconta Ernst & Young S.p.A.**

It is to be borne in mind that, with the auditing of the parent company's financial statements and consolidated financial statements for financial year 2010, the duration of the auditing assignment conferred to **Reconta Ernst & Young S.p.A.** expires. Therefore, during the upcoming Shareholders' Meeting, at the justified proposal of the Board of Auditors, deliberation shall proceed as to conferring a new assignment for the legal auditing of the Company's accounts.

#### **11.5 EXECUTIVE APPOINTED TO DRAFT CORPORATE ACCOUNTS**

Since 31 July 2007, the office of "**Executive appointed to draft corporate accounts**" has been held by the Company's General Manager, Administration and Finance, Paolo Citterio.

It is to be kept in mind that pursuant to the Bylaws, the Executive appointed to draft corporate accounts was named by the Board of Directors upon hearing the opinion of the Board of Auditors. Moreover, again pursuant to the Bylaws, the appointment as Executive appointed to draft corporate accounts may be made to those who possess the requirements of good conduct provided for by law for directors, and

appropriate professional qualifications, having performed, for at least three years, management activities in the administrative, accounting, financial, or control sector of a company whose financial instruments are listed in a regulated market, or of a company performing financial, insurance or banking activity, or in a company with a registered capital of no less than EUR 2 million, or who has carried out three years of activity as auditor in an auditing firm entered in the special register kept by CONSOB.

The Company also has internal regulations establishing in detail the functions, means, and powers of this executive, as well as his or her relations with other Company bodies and organs.

## **12. INTERESTS OF THE DIRECTORS AND OPERATIONS WITH RELATED PARTIES**

The Board of Directors meeting held on 10 November 2010, in line with the provisions of CONSOB's regulations on the procedure for governing "**operations with related parties**" approved by decision no. 17221 of 12 March 2010 and later modified with the decision of 23 June 2010, approved, with the favourable opinion of the committee of independent directors appointed for the purpose, the new internal procedures for identifying, approving, and carrying out the operations with related parties performed by Astaldi S.p.A. directly or through its subsidiaries.

In this setting, pursuant to the aforementioned regulations, the Related Parties Committee was also appointed, consisting of the following independent directors:

- |                             |                          |
|-----------------------------|--------------------------|
| ▪ Eugenio Pinto (Chairman ) | independent board member |
| ▪ Maurizio Poloni           | independent board member |
| ▪ Giorgio Cirila            | independent board member |

In brief, these procedures:

1) identify the operations of "*greater*" and "*lesser*" importance.

For operations of *lesser importance*:

- (i) responsibility for making decisions is vested, alternatively, with the Board of Directors or the Chief Executive Officer as part of the attributions conferred to same;
- (ii) a justified, *non-binding* opinion of the aforementioned Related Parties Committee is required;
- (iii) the aforementioned Committee may rely on independent experts of its own choosing;
- (iv) appropriate prior information, supplied promptly to the deliberating body and said Committee, which must express its opinion, is required.

Under the procedures, for operations of *lesser importance*:

- (i) deliberation is reserved for the Board of Directors;
- (ii) the Committee's opinion is binding.

- 2) establish the procedures by which the operations are examined and approved, as well as the composition and rules of operation of the aforementioned Related Parties Committee which, in line with CONSOB's recent indications, is composed exclusively of independent directors in the case of operations of both "*lesser*" and "*greater*" importance.
- 3) establish the procedures and timing by which the aforementioned Committee, as well as the administration and control bodies, are provided with information on the operations prior to deliberation, while and after they are carried out;
- 4) identify rules regarding the cases in which the Company examines or approves operations of Italian or foreign subsidiaries;
- 5) identify the cases of "default exemption" from the regulations and the cases of "optional exemption."

It remains understood that the Company shall announce all the aforementioned operations in the Management Report.

For details, reference should be made to the "*Procedures for the regulations of operations with related parties*" published on the company's website (Governance/Documents section).



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With regard to the situation provided for by Applicative Criterion 9.C.2 of the Self-Regulation Code, in which **a Director has an interest** on his or her own account or on behalf of third parties, it is specified that the Company's Board of Directors from time to time adopts the solutions that it deems most appropriate (such as, for example, barring participating in the voting, or momentary removal from the meeting at the time the decision is made).

### **13. APPOINTMENT OF AUDITORS**

The Bylaws provide for the "slate voting" mechanism for the purposes of guaranteeing that shareholding minorities are represented in the Board of Auditors.

By express provision in the Bylaws, the **slates**, accompanied by the documentation provided for by law and by the Bylaws, must be lodged at the company's main office in the manner and by the deadline provided for by the applicable regulations.

Only those shareholders that on their own, or with other shareholders, hold shares with voting rights that taken together represent at least **1% of the company capital** entitled to vote at the ordinary shareholders' meeting (or such lesser percentage as is provided for by the applicable provisions of law or regulations) are entitled to submit the slates.

The Board of Auditors is **elected** in the following manner:

- from the slate that has obtained the greatest number of votes cast by the shareholders in attendance, two statutory members and two alternate members are drawn in the progressive order in which they are listed 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 that has garnered the second-highest number of votes of the slates submitted and voted on by shareholders that are not connected to the shareholders of reference pursuant to the regulations in force, based on the progressive order in which they are listed in the corresponding sections of the slate.

Should a number of minority slates have garnered the same number of votes, the candidates most senior in age among those who come first on the corresponding sections of the slates earning an equal number of votes shall be elected statutory Auditor and alternate Auditor.

Should a single slate be presented, all the statutory and alternate Auditors to be elected shall be drawn from it in the order in which they are listed. In this case, the Board of Auditors shall be chaired by the person in first place on the slate.

In the event of expiration of the term of office, on any grounds, of a statutory Auditor, he or she shall be succeeded by the first of the alternate members elected from the same slate, upon verification that the above requirements have persisted.

In the event of expiration of the term of office, on any grounds, of the statutory Auditor drawn from the slate that came in second in the number of votes, should it be impossible on any grounds for him or her to be succeeded by the alternate auditor elected on the same slate, he or she, upon verification that the above requirements have persisted, shall be succeeded by the next candidate drawn from the same slate or, in the absence thereof, by the first candidate on the slate among the minority slates that came in second in the number of votes.

For other aspects related to the appointment of the Board of Auditors, reference should be made to the provisions of art. 26 of the Bylaws of Astaldi S.p.A., published on the company's website (Governance/Documents section).

## 14. AUDITORS

The Board of Auditors currently in office for **financial years 2009-2011**, for whose composition reference should be made to Table 4 in the appendix, was appointed during the shareholders' meeting of 24 April 2009.

It bears mentioning that at that time, **2 slates** were submitted, in compliance with the provisions of the company's Bylaws, and with art. 148 of the finance consolidation act (TUF).

**The first** was submitted by the shareholder FIN.AST. S.r.l., which proposed Pierpaolo Singer and Antonio Sisca as Statutory Auditors, and Massimo Tabellini and Flavio Pizzini as Alternate Auditors.

**The second** slate was submitted 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, which proposed Pierumberto Spanò as Statutory Auditor and Marco Rigotti as Alternate Auditors.

Upon the outcome of the **voting**, the first slate garnered the votes of 85.08% of the company capital in attendance at the Shareholders' Meeting, and the second slate took the vote of 1,900,545 shares, equal to 3.13% of the company capital in attendance at the Shareholders' Meeting.

\* \* \* \* \*

During the meeting of 25 February 2011, the Board of Auditors, pursuant to *Applicative Criterion 10.C.2. of the Self-Regulation Code*, verified the persistence of its members' independence requirements, applying, for the pertinent assessments, all the criteria provided for by the Code in question with reference to the Directors' independence.

The Company also adheres to the principles of the Self-Regulation Code according to which the auditor that, on his or her on account or on behalf of third parties, has an interest in a given Company operation, must promptly and comprehensively inform the other Auditors and the Chairman of the Board of Directors as to the nature, terms, origin, and scope of his or her interest (*Applicative Criterion 10.C.4.*).

The Board of Auditors has also overseen the independence of the auditing firm, verifying compliance with the relevant regulatory provisions, as well as the nature and extent of the services other than accounts auditing offered to the Company and to its subsidiaries by said auditing firm and entities belonging to its network (*Applicative Criterion 10.C.5.*).

In carrying out its activity, the Board of Auditors relied on the collaboration and coordination of the Employee charged with Internal Control, also in charge of the Internal Control Department. The Board of Auditors also coordinated with the Internal Control Committee, with which it maintained a constant exchange of information, both through the attendance by the Chairman of the Board of Auditors at said Committee's meetings, and through joint meetings when the issues discussed and the corporate departments interviewed were of common interest from the standpoint of their respective responsibilities (*Applicative Criteria 10.C.6. and 10.C.7.*).

As mentioned above, it should be borne in mind that following the entry into force of art. 19 of Legislative Decree no. 39/2010, and in line with Borsa Notice no. 18916, the auditing oversight activities pursuant to letters d) and e) of art. 8.C.3 of the Self-Regulation Code of listed companies are vested exclusively with the Board of Auditors.



## 15. RELATIONS WITH SHAREHOLDERS

The Company, also in light of its listing on the STAR Segment of Mercato Telematico Azionario (screen-based stock exchange), back in 2002 appointed, as **manager of investor relations** (the “Investor Relator”), Alessandra Onorati, who is the manager of the pertinent corporate structure.

Moreover, to foster dialogue with the shareholders and the market, the Company regularly makes available on its website all the information of an accounting nature (financial statements, half-year financial reports, and interim management reports) and of interest for the general shareholding public (such as, for example, press releases, the company’s Ethical Code, the Organization, management, and control Model pursuant to Legislative Decree no. 231/01, the Reports by the directors on the items on Shareholders’ Meeting agendas, etc.).

## 16. SHAREHOLDERS’ MEETINGS (pursuant to art. 123-bis, paragraph 2, letter c), TUF)

Pursuant to art. 10 of the company’s Bylaws currently in force, the Shareholders’ Meeting is called by the Board of Directors by notice to be published in the manner and by the deadlines as required by law. The Bylaws also require said notice to indicate another day for the second convocation, should the first one go unattended; in the event of an extraordinary Shareholders’ Meeting, said notice may also indicate the date for the third convocation.

The Shareholders’ Meeting is vested with the duties provided for by art. 2364 of the Italian civil code; moreover, based on what is permitted by art. 2365, second paragraph, of the Italian civil code, the Bylaws, under art. 22, expressly vests the Board of Directors with the power to pass decisions with regard to:

- (i) mergers and splits, in the cases provided for by articles 2505 and 2505-bis of the Italian civil code, in the manner and in accordance with the deadlines described therein;
- (ii) the establishment and suppression of secondary offices, including those abroad;
- (iii) indication of which directors bear the Company’s representation;
- (iv) reduction of the company capital in the event of withdrawal of a shareholder;
- (v) adjusting the Bylaws to regulatory provisions;
- (vi) transferring the company’s main office in national territory.

With reference to the rights of the shareholders, and in particular their attendance at the Shareholders’ Meeting, the Bylaws currently in force, in line with the provisions of art. 2370, first paragraph, of the Italian civil code, and art. 83-sexies TUF, expressly establish that *“Those who are entitled to vote in accordance with the indications made in the certifications issued and made known by the intermediaries in the manner and by the deadlines as provided for by law, shall be entitled to attend the Shareholders’ Meeting.”*

The Company also, pursuant to art. 135-novies, paragraph 5, TUF, and art. 12 of the company’s Bylaws, makes available to shareholders a section on the website through which the Company can be notified of voting proxies electronically, using the proxy form available on the site (Governance/Shareholders’ Meeting Section).

At present the Company’s Bylaws, with reference to shareholders’ meetings, does not provide for voting by correspondence, remote voting, or audiovisual links.

\*\*\*\*\*

In accordance with the provisions of art. 13 of the Bylaws – according to which *“the holding of the Shareholders’ Meeting, both ordinary and extraordinary, is governed by regulations approved by the ordinary Shareholders’ Meeting, and valid for all subsequent ones, until it is modified or replaced”* – the ordinary Shareholders’ Meeting of 11 March 2002 approved the **“Shareholders’ Meeting Regulations,”** subsequently updated with the decision of 10 November 2010, which establish clear and univocal rules for the ordered, functional holding of the shareholders’ meetings, without at the same time compromising each shareholder’s right to express his or her opinions and to formulate requests for explanation and clarification with regard to the items on the agenda.

On this point, in fact, the Shareholders’ Meeting Regulations establishes that the subjects qualified to exercise their voting right may request the floor on the items being discussed, until such time as the Chairman of the Shareholders’ Meeting has declared discussion on the topic closed, in order to make observations and proposals, or to request information. The Chairman of the Shareholders’ Meeting, or those assisting him, shall see to providing the relevant responses, and the Shareholders’ Meeting Regulations guarantee those who have requested the floor the right to make a brief rebuttal.

\* \* \* \* \*

It is stressed that the Board of Directors, for the purpose of guaranteeing the shareholders suitable information as to the elements needed in order to be able to make, in a fully informed way, the decisions for which the Shareholders’ Meeting is responsible, provides shareholders with all the documents and reports regarding the items on the agenda at the Shareholders’ Meetings, by sending them to Borsa Italiana S.p.A. and publishing them on its own website, at the timing provided for by the regulations.

## **17. ADDITIONAL CORPORATE GOVERNANCE PRACTISES**

**(pursuant to art. 123-bis, paragraph 2, letter a), TUF)**

There are no further corporate governance practises in addition to those already illustrated in the above points.

## **18. CHANGES SINCE THE CLOSE OF THE FINANCIAL YEAR OF REFERENCE**

Since the close of the financial year, no changes have been made to the Company’s corporate governance structure.

Rome, 16 March 2011

for the Board of Directors  
(Signed, Chairman)

# ***SUMMARY TABLES***

**TABLE 1: INFORMATION ON OWNERSHIP STRUCTURE**

| <b><i>COMPANY CAPITAL STRUCTURE at 31 December 2010</i></b> |               |              |  |                        |
|---|---------------|--------------|--|------------------------|
|   | No. of shares | % of capital | Listed (indicate markets) / not listed | Rights and obligations |
| Ordinary shares   | 98,424,900    | 100%         | MTA - STAR                             | -                      |
| Shares with limited voting rights                           | -             | -            | -                                      | -                      |
| Shares with no voting rights                                | -             | -            | -                                      | -                      |

**TABLE 2: STRUCTURE OF THE BOARD OF DIRECTORS AND COMMITTEES AT 31 DECEMBER 2010**

| Board of Directors in office at 31 December 2010 *         |                      |   |                       |               |                                   |                     |         |                            | Internal Control Committee |       | Remuneration Committee |       |
|--|----------------------|---|-----------------------|---------------|-----------------------------------|---------------------|---------|----------------------------|----------------------------|-------|------------------------|-------|
| Office   | Members              | In office from to   | Executive             | Non-Executive | Independent, Self-Regulation Code | Independent, T.U.F. | % ***** | Number of other offices*** | ****                       | ***** | ****                   | ***** |
| Honorary Chairman  | Vittorio Di Paola ** | Board appointed by the Shareholders' Meeting of 23 April 2010 for financial years 2010/2012. The Board of Directors will thus expire upon the approval of the financial statements at 31 December 2012. | x                     |               |                                   |                     | 83%     | -                          |                            |       |                        |       |
| Chairman   | Paolo Astaldi        |   | x                     |               |                                   |                     | 100%    | 1                          |                            |       |                        |       |
| Deputy Chairman  | Ernesto Monti        |   |                       | x             |                                   | X                   | 100%    | 5                          |                            |       | x                      | 100%  |
| Deputy Chairman  | Giuseppe Cafiero     |   | x                     |               |                                   |                     | 100%    | -                          |                            |       |                        |       |
| Chief Executive Officer                                    | Stefano Cerri        |   | x                     |               |                                   |                     | 100%    | -                          |                            |       |                        |       |
| Director   | Caterina Astaldi     |   |                       | x             |                                   |                     | 75%     | 1                          |                            |       |                        |       |
| Director   | Pietro Astaldi       |   |                       | x             |                                   |                     | 63%     | 1                          |                            |       |                        |       |
| Director   | Luigi G. Cavalchini  |   |                       | x             |                                   |                     | 75%     | 1                          |                            |       |                        |       |
| Director   | Giorgio Cirila       |   |                       | x             | x                                 | x                   | 100%    | 1                          | x                          | 100%  |                        |       |
| Director   | Paolo Cuccia         |   |                       | x             | x                                 | x                   | 83%     | 1                          |                            |       |                        |       |
| Director   | Mario Lupo           |   |                       | x             | x                                 | x                   | 100%    | -                          | x                          | 100%  |                        |       |
| Director   | Eugenio Pinto        |   |                       | x             | x                                 | x                   | 66%     | 5                          | x                          | 100%  | x                      | 100%  |
| Director   | Maurizio Poloni      |   |                       | x             | x                                 | x                   | 87%     | -                          |                            |       | x                      | 100%  |
|  |                      |   |                       |               |                                   |                     |         |                            |                            |       |                        |       |
| Quorum required for submitting slates: 2.5%                |                      |   |                       |               |                                   |                     |         |                            |                            |       |                        |       |
| Number of meetings held during financial year of reference |                      |   | Board of Directors: 8 |               | Internal Control Committee: 4     |                     |         |                            | Remuneration Committee: 6  |       |                        |       |

**NOTES**

\* The Board of Directors in office at 31 December 2010 was appointed based on a single slate submitted by the majority shareholder Fin.Ast. S.r.l.

\*\* On 25 February 2011, Vittorio Di Paola announced he was renouncing the office of Member of the Company's Board of Directors. At present, Vittorio Di Paola is Honorary Chairman.

\*\*\* This column indicates the number of offices of director or auditor held by the interested party in other companies listed on regulated markets (including overseas), in financial, banking, or insurance companies, or companies of significant size. Table 3 details the offices in question.

\*\*\*\* This column indicates with an "X" that the member of the Board of Directors belongs to the Committee.

\*\*\*\*\* This column indicates the percentage of the directors' attendance at the meetings respectively of the Board of Directors and of the Committees during financial 2010. It is specified that the percentage in question refers to the number of meetings attended by each director or member of the Committees since the time of his or her appointment.

**TABLE 2-BIS: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES AT 31 DECEMBER 2010**

| Members of the Board of Directors lapsing from office during financial year 2010 |                    |   |           |               |                                   |                     |      |                         | Internal Control Committee |      | Remuneration Committee |      |
|--|--------------------|---|-----------|---------------|-----------------------------------|---------------------|------|-------------------------|----------------------------|------|------------------------|------|
| Office   | Members            | In office from to                       | Executive | Non-Executive | Independent, Self-Regulation Code | Independent, T.U.F. | % *  | Number of other offices | **                         | *    | **                     | *    |
| Director   | Franco A. Grassini | In office for financial years 2007/2009 |           | x             | x                                 | x                   | 100% | -                       | x                          | 100% | x                      | 100% |
| Director   | Nicola Oliva       |   | x         |               |                                   |                     | 100% | -                       |                            |      |                        |      |
| Director   | Gian Luigi Tosato  |   |           | x             | x                                 | X                   | 100% | -                       |                            |      |                        |      |
|  |                    |   |           |               |                                   |                     |      |                         |                            |      |                        |      |

**NOTES**

\* This column indicates the percentage of the directors' attendance at the meetings respectively of the Board of Directors and of the Committees during financial year 2010. It is specified that the percentage in question refers to the number of meetings attended by each director or member of the Committees during his or her time in office.

\*\* This column indicates with an "X" that the member of the Board of Directors belongs to the Committee.

**TABLE 3: OFFICES OF DIRECTOR OR AUDITOR HELD BY EACH BOARD MEMBER IN OTHER COMPANIES ON REGULATED MARKETS (INCLUDING OVERSEAS), IN FINANCIAL, BANKING, OR INSURANCE COMPANIES, OR COMPANIES OF SIGNIFICANT SIZE, AT 31 DECEMBER 2010:**

| Name and Surname           | Other activities performed pursuant to art. 1.3 of the Self-Regulation Code  |
|----------------------------|--|
| Ernesto Monti              | Chairman of the Board of Directors of Finanziaria Tosinvest S.p.A.; Member of the Board of Directors of Alitalia S.p.A., Unicredit MCC S.p.A., Erg Renew S.p.A. (formerly Enertad S.p.A.), Ariscom Compagnia di assicurazioni S.p.A. |
| Vittorio Di Paola          | ---  |
| Paolo Astaldi              | Managing Director of Fin.Ast S.r.l.  |
| Giuseppe Cafiero           | ---  |
| Stefano Cerri              | ---  |
| Caterina Astaldi           | Member of the Board of Directors of Fin.Ast. S.r.l.  |
| Pietro Astaldi             | Member of the Board of Directors of Fin.Ast. S.r.l.  |
| Luigi Guidobono Cavalchini | Member of the Private Advisory Board of Unicredit S.p.A.   |
| Giorgio Cirila             | Member of the Board of Directors IMMSI S.p.A.  |
| Paolo Cuccia               | Member of the Board of Directors Bulgari S.p.A.  |
| Mario Lupo                 | ---  |
| Eugenio Pinto              | Member of the Board of Directors of Ansaldo STS S.p.A. and Bulgari S.p.A.; Chairman of the Board of Auditors of Eni Adfin S.p.A. and Stogit S.p.A.; Statutory Auditor of Alleanza Toro S.p.A.  |
| Maurizio Poloni            | ---  |



**TABLE 4: STRUCTURE OF THE BOARD OF AUDITORS AT 31 DECEMBER 2010**

| <b>Office</b>  | <b>Members</b>           | <b>In office from to</b>   | <b>Slate</b>    | <b>Independence from Code</b> | <b>Percentage attendance at Board meetings</b> | <b>Number of other offices *</b> |
|--|--------------------------|--|-----------------|-------------------------------|--|----------------------------------|
| <b>Chairman</b>  | <i>Pierumberto Spanò</i> | <i>Board appointed by the Shareholders' Meeting of 24 April 2009 for financial years 2009-2011; it will expire upon the approval of the financial statements at 31 December 2011</i> | <i>minority</i> | x                             | 100%   | 16                               |
| <b>Statutory Auditor</b>   | <i>Pierpaolo Singer</i>  |  | <i>majority</i> | x                             | 100%   | 10                               |
| <b>Statutory Auditor</b>   | <i>Antonio Sisca</i>     |  | <i>majority</i> | x                             | 100%   | 9                                |
| <b>Alternate Auditor</b>   | <i>Marco Rigotti</i>     |  | <i>minority</i> | x                             | -  | 7                                |
| <b>Alternate Auditor</b>   | <i>Massimo Tabellini</i> |  | <i>majority</i> | x                             | -  | 6                                |
| <b>Alternate Auditor</b>   | <i>Flavio Pizzini</i>    |  | <i>majority</i> | x                             | -  | 11                               |
|  |                          |  |                 |                               |  |                                  |
| <b>Number of meetings held in financial year 2010: 10</b>  |                          |  |                 |                               |  |                                  |
| <b>Quorum required for the submission of slates by minorities for the election of one or more statutory members</b> (pursuant to art. 148 TUF): pursuant to the Bylaws, only those shareholders that on their own, or with other shareholders, represent at least 1% of the company capital are entitled to submit slates. |                          |  |                 |                               |  |                                  |

**NOTE**

\* This column indicates the number of offices as director or auditor held by the interested party, of importance pursuant to art. 148-bis TUF. The complete list of offices is attached pursuant to art. 144-quinquiesdecies of the CONSOB issuers' regulations, to the report on the oversight activity, drawn up by the auditors pursuant to art. 153, paragraph 1, TUF, in other companies listed on Italian regulated markets.