



**ANNUAL REPORT**  
**ON THE CORPORATE GOVERNANCE MODEL**  
**ADOPTED BY ASTALDI S.P.A.**

**2007**

**ASTALDI S.P.A.**  
**CORPORATE GOVERNANCE REPORT 2007**

**INTRODUCTION**

Also this year, the corporate governance model adopted by Astaldi S.p.A. (hereinafter Astaldi) is in line with the principles contained in the “*Self-Governance Code for listed companies*” – drawn up by Borsa Italiana S.p.A. in October 1999 and subsequently amended and supplemented –, with the relevant recommendations worked out by CONSOB, and more generally, with best practices at an international level.

In compliance with the instructions issued by Borsa Italiana S.p.A. and taking into account the principles contained in the Code mentioned above, Astaldi S.p.A.'s corporate governance model is described below, as updated with main events which have come into being subsequently to the closing of 2007.

It should be noted that, as explained in this report, the main activities aimed at updating the Corporate Governance model in relation to the coming into force of the new Self-Governance Code for listed companies in March 2006 have been completed and the Company's By-Laws have been harmonized with the provisions of the Italian Law for the protection of public savings (Italian Law No. 262/2005), as supplemented by subsequent Italian Legislative Decree No. 303/2006, with particular reference to the formation of the Board of Directors and the procedure for the appointment of directors, to the appointment of the "Officer in charge of drawing up corporate accounting documents", and to the formation of the Board of Auditors and the procedure for the appointment auditors.

**COMPANY'S SHAREHOLDERS**

The share capital of Astaldi S.p.A. amounts to Euro 196,849,800 and is divided into 98,424,900 common shares of a nominal value of Euro 2 each.

Astaldi's shareholder structure is made up of approximately 7 thousand registered holders of common shares.

According to the information contained in the Shareholders' Register, supplemented by the notices received pursuant to Article 120 of Italian Legislative Decree No. 58 of February 24, 1998 as well as by other information available to us, the direct shareholders owning, as at March 17, 2008, more than 2% of the fully paid up share capital represented by shares with voting rights, are as follows:

DECLARANT	DIRECT SHAREHOLDER	NUMBER OF SHARES	SHAREHOLDING %
FIN.AST. S.r.l.	<i>FIN.AST. S.r.l.</i>	38,752,595	39.3%
	<i>Finetupar International S.A.</i>	12,327,967	12.5%
		<b>51,080,562</b>	<b>51.8%</b>
Pictet Asset Management Limited	<i>Pictet Asset Management Limited</i>	5,063,242	5.1%
		<b>5,063,242</b>	<b>5.1%</b>
Odin Forvaltning AS	<i>Odin Forvaltning AS</i>	4,836,240	4.9%
		<b>4,836,240</b>	<b>4.9%</b>
Ratio Asset Management	<i>Ratio Asset Management</i>	2,092,438	2.1%
		<b>2,092,438</b>	<b>2.1%</b>
<b>TOTAL</b>		<b>63,072,482</b>	<b>63.9%</b>

Astaldi S.p.A. is not subject to the "direction and coordination" of any of its shareholders, since the Company's Board of Directors takes any and all of its decisions on the management of Company's activities in full autonomy and independence.

It is underlined that the Shareholders' Meeting held on May 2, 2007 approved a plan of purchase and sale of Company's own shares, pursuant to articles 2357 et seq. of the Italian Civil Code and art. 132 of Italian Legislative Decree No. 58 of February 24, 1998, having a validity of twelve months (thus expiring on May 2, 2008), authorizing to:

- purchase Company's own shares up to a maximum rolling number of 9,842,490 shares of a nominal value of 2.00 euro each, at a unit price not lower than 2.00 euro and not higher than the average price of the latest 10 stock market working days immediately preceding the date of purchase, increased by 10%, with the additional obligation that the amount of shares

shall never exceed Euro 24,600,000.00 (without detriment to the limit of distributable profits and reserves available pursuant to Section 2357, 1<sup>st</sup> clause, of the Italian Civil Code);

- to sell the shares so purchased, at a unit price not lower than the average price of the latest 10 stock market working days preceding the date of sale, decreased by 10%.

Furthermore, the subject-matter plan provides that the Board of Directors be authorized to dispose of treasury shares by exchange and/or contribution operations, provided that the value attributed to the shares, within the framework of such operations, be not lower than the average book value of Company's treasury shares held. Company's treasury shares may also be used in connection with possible future stock grant and/or stock option plans, notwithstanding, in this case, the above-mentioned criteria of determination of the price of sale, which shall not anyway be lower than the so-called "normal value" as provided by tax laws.

The Board of Directors is further authorized to carry out securities lending operations – in which the Company acts as lender – on Company's own shares. In execution of said resolution the Company, during fiscal year 2007, starting from May 2, 2007, i.e. the date of said shareholders' meeting resolution, purchased 386,981 Company's own shares and, at December 31, 2007, held 900,000 treasury shares.

#### ***BOARD OF DIRECTORS (ARTICLES 1 – 3 OF THE SELF-GOVERNANCE CODE)***

##### **Composition and term of office**

According to Astaldi's By-Laws, the Board of Directors is formed of 9 to 15 directors, appointed for a period of not more than three years, who can be re-elected upon expiration of their term of office.

The Board of Directors of Astaldi, appointed on May 2, 2007 and whose term of office expires upon approval of the financial statements for the year ending December 31, 2009, is presently formed of thirteen members.

The table below shows the name of each director and the relevant characteristics checked by the Company's Board of Directors upon appointment

of the Directors in office (May 2, 2007), with the Board of Directors' favourable opinion.

Name and Surname	Position	Characteristics
Ernesto Monti	Honorary Chairman	NON EXECUTIVE INDEPENDENT TO ALL INTENTS AND PURPOSES OF THE ITALIAN FINANCIAL SERVICES ACT
Vittorio Di Paola	Chairman	EXECUTIVE
Paolo Astaldi	Deputy Chairman	EXECUTIVE
Giuseppe Cafiero	Chief Executive Officer	EXECUTIVE
Stefano Cerri	Chief Executive Officer	EXECUTIVE
Caterina Astaldi	Director	NON-EXECUTIVE/NON-INDEPENDENT
Pietro Astaldi	Director	EXECUTIVE
Luigi Guidobono Cavalchini	Director	NON-EXECUTIVE/NON-INDEPENDENT
Franco A. Grassini	Director	NON EXECUTIVE INDEPENDENT TO ALL INTENTS AND PURPOSES OF THE ITALIAN FINANCIAL SERVICES ACT AND OF THE SELF-GOVERNANCE CODE
Mario Lupo	Director	NON-EXECUTIVE/INDEPENDENT
Nicola Oliva	Director	EXECUTIVE
Maurizio Poloni	Director	NON EXECUTIVE INDEPENDENT TO ALL INTENTS AND PURPOSES OF THE ITALIAN FINANCIAL SERVICES ACT AND OF THE SELF-GOVERNANCE CODE
Gian Luigi Tosato	Director	NON EXECUTIVE INDEPENDENT TO ALL INTENTS AND PURPOSES OF THE ITALIAN FINANCIAL SERVICES ACT AND OF THE SELF-GOVERNANCE CODE

In compliance with the provisions of art. 1.C.2 of the Self-Governance Code, the below table shows the positions as director or auditor held by each of the Company's directors in other companies listed on Italian and foreign regulated

markets, in financial, banking or insurance companies or other large-size companies:

Name and Surname	Other offices held pursuant to Article 1.3 of the Self-Governance Code
Ernesto Monti	Chairman of the Board of Directors of Finanziaria Tosinvest S.p.A.; Director of Unicredit-Banca di Roma S.p.A., Enertad S.p.A., Eutelia S.p.A. and Europoligrafico S.p.A..
Vittorio Di Paola	---
Paolo Astaldi	CEO of Fin.Ast. S.r.l.; Director of Atmos Wind S.p.A.
Giuseppe Cafiero	---
Stefano Cerri	---
Caterina Astaldi	Director of Fin.Ast. S.r.l.
Pietro Astaldi	Director of Fin.Ast. S.r.l. and of Finetupar International S.A.
Luigi Guidobono Cavalchini	Chairman of the Board of Directors of Unicredit Private Banking S.p.A.
Franco A. Grassini	Chairman of the Board of Directors of Marche Capital S.p.A.
Mario Lupo	---
Nicola Oliva	---
Maurizio Poloni	---
Gian Luigi Tosato	Honorary Chairman of Ericsson Telecomunicazioni S.p.A. and Director MEMC Electronic Materials S.p.A.

To this respect, the Company's Board of Directors, in its meeting of November 13, 2006, established the general criteria adopted by the Company relating to the maximum number of positions as director or auditor which may be held by the Company's Directors in other companies listed on regulated markets (including foreign markets), in financial, bank, insurance or any large-size companies, as provided for by art. 1.C.3 of the Self-Governance Code.

In particular, on such occasion, the Board of Directors resolved to set:

- the number of positions which may be held by "non-executive" and "independent" directors, up to a maximum of 6;
- the number of positions which may be held by "executive" directors, up to a maximum of 4.

However, for the purpose of the above calculation, the positions as director or auditor held by Astaldi S.p.A.'s Directors within the Group's companies shall not be taken into account.

## **Board of Directors' Role**

The Board of Directors plays a key role within the Company's organization. In fact, it is responsible for setting the Company's strategic and organizational policies, as well as for ensuring the implementation of the necessary control instruments aimed at monitoring the Company's and the Group's performance.

In this context, by virtue of the provisions of art. 1.C.1 of the Self-Governance Code, the Board of Directors:

- a) Examines and approves the Company's and the Group's strategic, industrial and financial plans, the Company's corporate governance system and the Group's corporate structure;
- b) Evaluates the adequacy of the organizational, administrative and general accounting structure of the Company and of its strategically important subsidiaries, as worked out by chief executive officers, with particular reference to the internal audit system and the management of conflicts of interests;
- c) After examining the proposals made by the proper committee and hearing the board of auditors, determines the remuneration of CEOs and other Directors performing specific functions;
- d) evaluates the management's performance;
- e) Confers upon and revokes the powers of the CEOs, determining relevant limits and manner of exercise; defines the frequency, which shall never exceed a period of three months, with which corporate bodies, upon whom powers have been conferred, shall report to the board in connection with the activities carried out while exercising the relevant powers;
- f) Previously examines and approves the transactions carried out by the Company and its subsidiaries, whenever such transactions have a significant strategic, economic, equity or financial importance, with particular reference to transactions with related parties.

To such respect, it is underlined that the Board of Directors established general criteria to identify the "transactions with related parties", whenever such transactions have a significant strategic, economic, equity or financial importance, as set forth below; while, as far concerns transactions of this kind carried out with entities other than "related parties", the Board of Directors has

not established any general criteria, thus reserving to analyze, case by case, the actions to be taken.

In agreement with the Company's By-Laws, 7 meetings of the Board of Directors were held in 2007, with a limited number of absences of Directors and Auditors, all of which were duly justified.

Pursuant to stock exchange regulations on this matter, the Board of Directors approved and subsequently forwarded to Borsa Italiana S.p.A., with reference to 2008, a time-schedule of future Board meetings to be held for the approval of the draft financial statements, half-yearly report and quarterly reports, as set forth below:

<b>DATE</b>	<b>Corporate event</b>	<b>Activity</b>
<b><i>February 13, 2008</i></b>	Board of Directors' meeting	Approval of quarterly report (4th quarter of 2007)
<b><i>March 27, 2008</i></b>	Board of Directors' meeting	Approval of draft financial statements (fiscal year 2007).
<b><i>April 15, 2008</i></b>	Board of Directors' meeting	Approval of Business Plan.
<b><i>April 23, 2008</i></b>	Shareholders' Meetings	Approval of financial statements (fiscal year 2007)
<b><i>May 14, 2008</i></b>	Board of Directors' meeting	Approval of quarterly report (1st quarter of 2008)
<b><i>August 6, 2008</i></b>	<i>Board of Directors' meeting</i>	<i>Approval of half-yearly report (January - June 2008)</i>
<b><i>November 12, 2008</i></b>	Board of Directors' meeting	Approval of quarterly report (3rd quarter of 2008)

The activities of the Board are coordinated by the Chairman. The Chairman calls the Board meetings and directs their operation, ensuring that members are given reasonably in advance – except in cases of necessity or urgency – all the documents and information necessary to the board so that the latter may advisedly decide on the relevant topics.

It should be noted that the powers granted upon the CEOs, by Board resolution dated May 2, 2007, provide that Mr. Stefano Cerri will manly devote himself to develop the Group's activities and to pursue the Group's development targets, while Mr. Giuseppe Cafiero will mainly devote himself to business activities.



It is reminded that the Board of Directors, during its meeting held on July 31, 2007, appointed Mr. Paolo Citterio, Chief Financial Officer, as the "Manager in charge of drawing up the corporate accounting documents".

Finally, it should be noted that, since the provisions (art. 2.C.3) of the Self-Governance Code are not applicable, no lead independent director was appointed.

In fact, the Chairman of the Board of Directors has neither been vested with any power on the basis of which the same is liable for the management of the Company nor controls the same.

#### **APPOINTMENT OF DIRECTORS (ART. 6 OF THE SELF-GOVERNANCE CODE)**

The Board of Directors presently in office deemed not to set up any Committee for the appointment of directors since, at this time, there is not any difficulty in identifying candidacies for the appointment of corporate bodies.

To this respect it is worthy reminding that, pursuant to the provisions of Italian Law No. 262/05 (the so-called "Legge Risparmio" – law on public savings) and Italian Legislative Decree No. 303/06 (the so-called "Corrective Decree") the Company's By-Laws have been amended so as to provide for the "list vote" system in connection with the appointment of the Board of Directors.

In particular, the Board of Directors states that shareholders globally holding, on their own or jointly with the other shareholders with whom they file the same list, a number of shares representing at least 2.5% (or the minimum percentage provided for by the provisions of applicable laws and regulations) of the company's share capital with voting right in shareholders' ordinary meetings, are entitled to file lists.

Still according to the provisions of the Company's By-Laws, the lists, signed by the filing parties and complying with the law provisions, must be filed at the Company's registered office, and made available to everyone upon request, at least 15 days before the day scheduled for the Shareholders' Meeting on first

call. The lists shall be made available to the public pursuant to the provisions of applicable laws and regulations.

The members of the Board of Directors are elected as follows.

- 1) a number of directors equivalent to the total number of the members of the Board of directors fixed by the shareholders' assembly less one are drawn, in the progressive number in which they are listed in the list, from the list that has obtained the highest number of votes cast by the shareholders.

In the event no list has obtained a number of votes higher than the others, the Shareholders' Meeting shall be called again for a new voting session to be held pursuant to this article;

- 2) one Director, that is the candidate ranking first in the list, is drawn from the list which ranked second in number of votes and which is not connected, in accordance with the criteria provided for by the laws governing the appointment of minority auditors, with the shareholders having submitted or voted the list which ranked first in number of votes. In the event two or more lists filed by minority shareholders have obtained the same number of votes, the candidate senior in age among those ranking first in the lists having obtained an equal number of votes is appointed as director.

For the purpose of allotment of the directors to be appointed, the lists which have not obtained a percentage of votes of at least one half the minimum percentage required for submitting the lists themselves, shall not be taken into account.

In the event one sole list or not any list is submitted, the shareholders' assembly shall resolve according to the majorities provided for by the law, without following the above procedure.

#### **REMUNERATION OF DIRECTORS (ART. 7 OF THE SELF-GOVERNANCE CODE)**

On February 5, 2002, the Board of Directors appointed a Remuneration Committee, which shall decide upon possible stock options and the

apportionment of Company's shares and which, in compliance with art. 7.C.3 of the Self-Governance Code, shall be in charge of:

- Making proposals to the Board of Directors concerning the remuneration of CEOs and of those directors holding specific functions, as well as determining, upon the CEO's recommendation, the criteria for the remuneration of the Company's top management, by monitoring the implementation of the Board of Directors' decisions;
- Making proposals relating to possible stock option plans reserved to directors, employees and collaborators;
- Making proposals and taking care that the information to the shareholders and to the market ensures the necessary transparency of the criteria adopted for determining the remuneration of Company's representatives, in compliance with laws and rules governing corporate information and according to the best practices of financial markets;
- Providing the Board of Directors with opinions on the issues submitted by the latter to the Committee itself in matter of remuneration and on any other issue relating thereto or connected therewith.

The Remuneration Committee is presently formed of three non-executive directors, the majority of whom are independent directors, as follows:

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

Two meetings of the Remuneration Committee were held in 2007, minutes of which were duly drawn up and during which the Committee gave its advice, in particular, with regard to:

- the emoluments under Art. 2389, §3, of the Italian Civil Code, to the Chairman, the Deputy Chairman and the CEOs;
- the Benefit Plan for the three-year period 2007/2009, as set forth below.

In order to fulfil its functions, as set forth above, the Committee was granted access to the necessary information, by means of the respective corporate offices, with the Legal & Corporate Affairs Dept. Manager's assistance.

During its meeting held on June 27, 2007, the Committee approved the guidelines of the Benefit Plan for the three-year period 2007-2009, as previously worked out by the Board of Directors during the meeting of May 14, 2007, upon the Remuneration Committee's proposal of May 11, 2007. Subsequently, the Board of Directors, during its meeting of September 27, 2007, approved the relevant Regulation for the implementation of the Plan.

More in detail, the Benefit Plan is based on a "stock grant" system providing for the attribution of Astaldi S.p.A. shares to three top managers, executive members of the Board of Directors, who fulfil operating duties, such attribution to be made during the three-year period based on the Board of Directors' verification of the achievement of the targets fixed by the same.

#### **THE INTERNAL AUDITING SYSTEM (ARTICLE 8 OF THE SELF-GOVERNANCE CODE)**

The Company's internal audit system provides for the existence of an **Internal Auditing Committee**.

Said committee, set up by the Board of Directors on February 5, 2002, makes proposals to and provides the Board of Directors with advisory services relating to the supervision of the general trend of the Company's performance.

In accordance with the provisions of Articles 8.C.1 and 8.C.3 of the Self-Governance Code, the Internal Auditing Committee is responsible for:

- a) Providing the Board of Directors with the assistance necessary to define the policy of the internal auditing system and of the corporate risk management system;
- b) Providing the Board of Directors with the assistance necessary to designate an executive director in charge of supervising the internal auditing system effectiveness and efficiency;
- c) Providing the Board of Directors with the assistance necessary to assess the adequacy, effectiveness and actual operation of the internal auditing system;

- d) Assessing, jointly with both the manager in charge of drawing up corporate accounting documents and the auditors, the suitability of the accounting standards adopted and their homogeneity for the purposes of drafting the consolidated financial statements;
- e) Upon request made by the executive director duly entrusted to this purpose, expressing opinions on specific aspects concerning the identification of main corporate risks and the structure, implementation and management of the internal auditing system;
- f) Examining the work plans prepared by the various internal auditing officers and their periodical reports;
- g) Assessing proposals put forward by the independent auditor to obtain assignment of the relevant auditing task, as well as the work plan drawn up for the audit and the findings detailed in the report and the possible letter of recommendations;
- h) Supervising the effectiveness of the accounting audit process;
- i) reporting to the Board, at least on a six month basis, on the occasion of approval of the financial statements and of the half-yearly report, on the activities carried out and the suitability of the internal auditing system.
- l) carrying out additional tasks which may be entrusted to the same by the Board of Directors.

The Committee meetings are attended by the Chairman of the Board of Auditors or an auditor appointed by the latter; the Committee meetings may be attended also by non-members of the Committee, upon the latter's invitation. The Internal Auditing Officer acts as Committee's Secretary, draws up the minutes of the meetings and provides the Committee with the necessary assistance to fulfil the its duties.

The Committee presently in office, appointed by the Board of Directors on May 2, 2007, is formed of the following members:

Mario Lupo (Chairman)	Non-executive/Independent
Luigi Guidobono Cavalchini	Non-executive/Non-independent
Franco A. Grassini	Non-executive/Independent

The Committee held four meetings in 2007 during which it performed auditing activities and tackled a number of issues including the following which were of greatest interest:

- Examined and shared the work programme drawn up by the internal auditing officer and was regularly kept informed by the latter on the internal auditing activities planned and carried out during the year;
- Acknowledged the results of the audit, according to the operative methods adopted during the previous year (monitoring of main business processes affecting the execution of a project), considering the Company's internal auditing system as appropriate, fully efficient and effective;
- Expressed a favourable opinion to the Independent Auditor's proposal to extend the auditing task to the three-year period 2008-2010;
- Carried out, on the basis of the data appearing from the consolidated financial statements as of December 31, 2006, a check on the correct application of the principles adopted to identify "significantly relevant" subsidiaries, to all intents and purposes of the joint provisions of Article 165, § 1 of Italian Legislative Decree 58/98 and of Article 151 of CONSOB Regulation No. 11971 of September 14, 1999, as subsequently amended, ensuring compliance with the limits provided for by the law;
- Analyzed corporate activities carried out in order to comply with the provisions of Italian Law No. 262/05;
- Checked – in the presence and with the participation of the Manager in charge of drawing up corporate accounting documents and of the independent auditor – the suitability of the accounting standards adopted and their homogeneity for the purposes of drafting the consolidated financial statements and expressed its favourable opinion on the work plan drawn up for the audit of 2007 financial statements;
- Received constant updates on corporate activities carried out as per Italian Legislative Decree No. 231/01, and, more in detail, on the harmonization of the Model of Organization, Management and Control

with new laws enacted and with organizational changes made by the Company;

The Committee, during its meetings held on September 27, 2007 and March 27, 2008, informed the Board of Directors on the activities carried out during the first and the second half, respectively, of 2007.

Taking into account the provisions of Art. 8.C.1 of the Self-Governance Code, the Company's Board of Directors, during its meeting held on November 13, 2006, designated the **CEO Mr. Stefano Cerri as "the executive director supervising the effectiveness and efficiency of the internal auditing system"**, who shall thus fulfil the duties provided for by art. 8.C.5 of the subject-matter Code.

Moreover, the Company avails itself of an Internal Auditing Department, managed by the **Internal Auditing Officer** who depends, from a hierarchical point of view, on the Company's Board of Directors, and from a functional point of view, on the Company's CEO in charge of supervising the Company's internal auditing system.

Internal auditing is carried out on the basis of national and international best practices with the purpose of performing all the actions necessary to control corporate processes, including direction, monitoring and assessment of critical areas and of opportunities to improve the corporate organization.

Internal audit activities are carried out through the Internal Integrated Auditing System conceived as a rationalization, integration and coordination of auditing and monitoring activities performed by various corporate bodies fulfilling assurance activities - on the basis of an annual audit programme which is shared with the Internal Auditing Committee and the Company's top management. The findings of said audits are reported to the Internal Auditing Committee and the Board of Auditors as well as to the top management on a regular basis.

With reference to further actions carried out to improve the corporate governance system, it is worthy recalling that the Board of Directors has already adopted, since March 18, 2003, the corporate "**Code of Ethics**" setting forth general principles and governing, through behavioural rules, the activities of the employees and collaborators of the Company and its equity investments, also in connection with the relationships with the shareholders, with Public Authorities, suppliers, contractors and subcontractors.

In particular, such Code provides for:

- The general principles and reference values which Astaldi and the Group companies shall comply with when carrying out their activities;
- The behavioural rules that the Company's representatives, managers and employees shall observe when holding relations with a series of business, entrepreneurial and financial parties;
- The manner of implementation of the Code itself within the corporate structure.

Moreover, on July 2, 2003, the Board of Directors, within the activities governed by Italian Legislative Decree No. 231/2001, adopted the **Model of Organization, Management and Control as per Italian Legislative Decree No. 231/01** which, by identifying the areas and corporate activities exposed to potential risks in connection with the various criminal offences provided for by said Decree, is aimed at protecting the Company in the event that directors, employees and collaborators were to commit the offences set forth in said Legislative Decree.

More specifically, the Model defines:

- The ethical principles relating to the behaviours connected with the specific crimes provided for by the Decree;
- The corporate risk-related activities, that is to say those activities within which, because of their nature, may be committed the offences as per Italian Legislative Decree No. 231/01 and, therefore, to be analyzed and monitored;
- The manner in which the financial resources devoted to the prevention of offences are managed;



- The rules for the formation of the Supervisory Body and the attribution of specific tasks of supervision on the correct implementation of the Model;
- The information flows to the Supervisory Body;
- The activities of information, training, sensitization and communication at all corporate levels, on behavioural rules and procedures established;
- The responsibilities concerning the approval, supplementation, amendment and implementation of the Model, as well as the verification of its effectiveness and efficiency and of corporate practices, with the relevant periodical updates.

To this respect, it is underlined that the Company's "Code of Ethics" and "Model of Organization, Management and Control as per Italian Legislative Decree No. 231/01" are constantly updated in order to harmonize the same with the laws and rules in force and with the changes occurred within the corporate organization.

In order to avoid the risks of committing any of the offences provided for by Italian Legislative Decree No. 231/01, a **Supervisory Body** has been formed, whose members meet the requirements of autonomy, independence and professionalism in accordance with the laws mentioned above. Such members are: Mr. Maurizio Poloni, Lawyer, Non-executive / Independent member of the Board of Directors and Mr. Marco Annoni, Mr. Giorgio Luceri, Ms. Nicoletta Mincato and Mr. Vittorio Mele – the latter acting as Chairman of the Supervisory Body – as Company's external experts.

The Supervisory Body has adopted a set of rules and is classed as a top staff unit reporting directly to the CEO in charge of supervising the corporate internal auditing system the outcomes of the audits, possible criticalities which may be found, and possible remedies and improvements which, if having a particular significance, may be submitted to the Board of Directors for consideration.

The Supervisory Body avails itself of the Internal Auditing Officer in order to perform its activities and to ensure its resolutions are implemented by the corporate divisions concerned.

The Supervisory Body's activities, aimed at monitoring the effectiveness and efficiency of and compliance with the "Model of Organization as per Italian Legislative Decree No. 231/01", continued in 2007. Twelve meetings of the Supervisory Body were held in 2007, and the following activities have been carried out:

- Revision of the Code of Ethics and of the Model of Organization, Management and Control as per Italian Legislative Decree No. 231/01 for the purpose of harmonizing the same with laws and rules recently enacted (more specifically, in connection with the introduction of art. 25-septies in matter of offences against the person committed by breaching the laws and rules on occupational health and safety, and of art. 25-octies in matter of offences of handling stolen goods, money laundering and using money, goods or assets of an illegal origin), as well as with the changes occurred within the corporate organization and the new administrative-accounting and management procedures;
- Check of the actual implementation of the Model by the corporate departments, by means of specific audits over a sample of duly selected domestic and foreign contracts entered into by the Company, or by examining audit results having relevance to the intents and purposes of Italian Legislative Decree No. 231/01, of audits carried out during 2006 over the Internal Auditing System;
- Examination of the outcomes of the audits carried out, definition of corrective measures to be adopted in order to solve the criticalities found and subsequent verification of their implementation (follow-up);
- Training of personnel in matter of Italian Legislative Decree No. 231/01, this activity having been carried out directly by the Supervisory Body or entrusted to peripheral Italian and foreign units according to the guidelines set by the Supervisory Body itself;
- Carrying out, by means of the Internal Auditing Officer, inquiries as per art. 13 of the Code of Ethics in connection with alleged infringements of the Model of Organization, Management and Control;
- Attendance, by members of the Supervisory Body, at meetings dealing with specific issues in matter of Italian Legislative Decree No. 231/01;

- Monitoring of the activities carried out by the Group relating to the compliance with the provisions of Italian Legislative Decree No. 231/01.

#### **HANDLING OF CONFIDENTIAL INFORMATION (ARTICLE 4 OF THE SELF-GOVERNANCE CODE)**

Astaldi, in order to ensure correct internal management and timely external communication of any significant event taking place within the sphere of activity of the Company and its subsidiaries and which, at least potentially, is capable of significantly affecting the price of the Company's shares (the so-called "price sensitive information"), avails itself with the "**Continuous information**" procedure.

In short, the above procedure identifies within the Company the times and methods for transmitting and diffusing such information and the involvement of the divisions concerned from time to time, providing that the resources closer to the origin of the aforementioned information act as a link between their respective area of responsibility and the Company's top management, so as to allow proper assessment of such facts or information.

Moreover, the involvement of an Assessment Committee specifically set up to this purpose is provided for (formed of the Legal and Corporate Affairs Department, the Investor Relations and the Directorate concerned), in order to provide on one side, on the basis of an attentive examination of the fact, proper assistance in the correct interpretation of the sector's regulations and, on the other side, to possibly formulate and disseminate all communications in question.

It is worthy noticing that the Company adopted a "**Code of conduct in matter of insider dealing**" which attributes to so-called 'relevant persons' (Directors, Auditors and managers fulfilling strategic duties, as designated by the Board of Directors) the obligation to report to the Legal and Corporate Affairs Department ("entity in charge of implementing the Code") any transactions on Astaldi stock carried out by themselves – also indirectly by means of a third party – and by the persons closely connected with the same, and whose value reaches and/or exceeds Euro 5,000 per year.

Such communication, still according to such procedures, shall be given on a timely basis and, anyway, within three stock market working days after the date of the transaction or, in case the transaction value is calculated on a cumulative basis, after the date of the transaction by which such threshold was reached and/or exceeded. The "entity in charge of implementing the Code" informs the market about such transactions within the time and in the manner provided for by the laws and rules governing the matter.

Furthermore, the Code establishes the so-called 'close periods', in other words, the periods of time immediately preceding the events that are particularly significant, during which the 'relevant persons must not carry out any transactions on Company shares.

Specifically, said periods have been identified as follows:

- the 30 days preceding disclosure of the consolidated financial statements, draft financial statements and half-yearly report;
- the 15 days preceding disclosure of quarterly report;
- the 15 days preceding the issue of the first price sensitive statement related to transactions such as: take-over bids made by the Company or on its financial instruments; mergers, spin-offs or acquisitions to which Astaldi is party; any other extraordinary transactions likely to meaningfully influence the price of the Company's financial instruments.

#### **RELATIONS WITH SHAREHOLDERS AND SHAREHOLDERS' MEETINGS (ARTICLE 11 OF THE SELF-GOVERNANCE CODE)**

The Company, also considering its admission to the listing on the STAR segment of the Stock Exchange Market, appointed, since 2002, Alessandra Onorati as Head of Investor Relations ("Investor Relator"), who is also responsible for the relevant corporate structure.

Moreover, in order to promote dialogue with the shareholders and the market, the Company regularly makes available on its website, all information of both an accounting nature (financial statements, half-yearly and quarterly reports) and of general interest to shareholders (such as, for example, press releases, the corporate Code of Ethics, the Model of Organization, Management and Control

as per Italian Legislative Decree No. 231/01, Directors' Reports on the topics of Shareholders' Meetings agenda, etc.).

With reference to Shareholders' entitlement to attend Shareholders' meetings, it should be noted that art. 11 of the Company's By-Laws provides that *"The Meeting may be attended by the shareholders having voting right, provided that the broker keeping the accounts sends a notice evidencing the title to the relevant shares within two days prior to the date of the first call Meeting."*

According to the provisions contained in Art. 13 of the Company By-Laws – according to which *"the operation of the Shareholders' Meeting, both ordinary and extraordinary, is governed by a set of regulations approved by the Shareholders' Ordinary Meeting and valid for all subsequent ones, until amended or replaced"* – the Shareholders' Ordinary Meeting of March 11, 2002 approved the *"Shareholders' Meeting Regulations"* which sets clear and univocal rules for orderly and functionally holding Shareholders' Meetings, without being, at the same time, prejudicial to each Shareholder's right to express his/her own opinion and to formulate requests for closer detail and explanations regarding the topics of the agenda.

The Board of Directors currently in office has decided not to submit to the Shareholders' Meeting any proposals for the reduction in the thresholds provided for by law, which, if exceeded, result in actions taken to enforce privileges for the protection of minority interests.

#### AUDITORS (ARTICLE 10 OF THE SELF-GOVERNANCE CODE)

The Board of Auditors, pursuant to Art. 149 of Ministerial Decree 58/1998, supervises:

- the compliance with the law and the Company's By-Laws;
- compliance with good management principles;
- The adequacy of the Company's organizational structure in matter of internal auditing system and administrative-accounting system;
- On the methods of actual implementation of corporate governance rules provided for by the codes of conduct drawn up by markets management

companies or trade associations, which the Company, by proper information to the public, declares to comply with;

- On the reliability of the financial statements in correctly representing management matters
- As well as on the adequacy of directions and instructions given by the Company to its subsidiaries, pursuant to art. 114, 2<sup>nd</sup> clause, of said Decree.

The Board of Auditors is constituted of three standing auditors and three alternate auditors.

The Board of Auditors currently in office is formed of:

Pierumberto Spanò <sup>(*)</sup>	Chairman
Pierpaolo Singer	Standing Auditor
Antonio Sisca	Standing Auditor
Massimo Tabellini	Alternate Auditor
Flavio Pizzini	Alternate Auditor
Maurizio Lauri <sup>(*)</sup>	Alternate Auditor

<sup>(\*)</sup> Auditors appointed from lists filed by minority shareholders.

The Company By-Laws provide for the list vote mechanism in order to guarantee the presence of representatives of minority shareholders in the Board of Auditors.

In accordance with the specific provisions of the Company By-Laws, the lists, accompanied by information on the personal and professional background of the candidates, must be filed at the registered office at least 15 days before the day scheduled for the Shareholders' Meeting on first call. The lists shall be accompanied by:

- a) the information on the identity of the shareholders having filed the same, with the indication of the participating interest globally held, with a certificate issued by a chartered broker setting forth the ownership of the participating interest;

- b) a description of the candidates' personal and professional characteristics, as well as the statements by which the individual candidates accept their candidature and attest, under their own responsibility, that there are no grounds for ineligibility or incompatibility, and that the requirements provided for by the laws and regulations and by the By-Laws for the respective offices are met, further setting forth other administration and auditing positions, if any, being held in other companies;
- c) a statement of the shareholders other than the shareholders holding, also jointly, a controlling or relative majority interest, attesting the inexistence of connection relationships with the latter pursuant to the laws and regulations governing this matter.

Each Shareholder may file or contribute to the filing of and vote in favour of one sole list and each candidate may be registered in one list only, under the penalty of ineligibility.

Those who hold office as Standing Auditors in more than 4 companies listed in the Italian regulated stock markets or in the regulated stock markets of other European Union member countries, as well as in companies issuing financial instruments widely diffused among the public, cannot be appointed as Auditors. Only shareholders globally holding, on their own or jointly with the other shareholders, a number of shares representing at least 1% (or the lowest percentage provided for by the provisions of applicable laws and regulations) of the company's share capital with voting right in shareholders' ordinary meetings, are entitled to file lists.

Still according to the Company's By-Laws, in the event that, at the expiry date of the period within which the lists have to be filed, one sole list has been filed, or lists have been filed only by the shareholders who, on the basis of the above, hold a connection relationship between them, additional lists may be filed until ten (10) days before the date fixed for the Shareholders' Meeting at first call and, in such a case, the participating interest required for filing the list shall be reduced by a half.

The lists which fail to comply with the above shall be considered as not submitted.

The members of the Board of Auditors are elected as follows. Two standing and two alternate auditors are drawn, in the progressive number in which they are listed in the corresponding sections of the list, from the list that has obtained the highest number of votes cast by the shareholders attending the meeting. The remaining standing member and the other alternate member are drawn from the list that ranked second in number of votes, among the lists submitted and voted by the shareholders holding no relationship with the reference shareholders in compliance with the laws and regulations in force, on the basis of the progressive number with which they were listed in the corresponding sections of the list. In the event two or more lists filed by minority shareholders have obtained the same number of votes, the candidates senior in age among those appearing under number one in the corresponding sections of the lists obtaining an equal number of votes are appointed as standing auditor and alternate auditor.

In the event only one list is submitted, all the standing and alternate auditors are drawn therefrom, to be elected according to the order in which they are listed. Also in this case, the title of Chairman of the Board of Auditors is attributed to the person registered as first in the list.

In the event an Auditor falls from office, for any reason whatsoever, the same is replaced by the first alternate auditor elected in the same list, by previously verifying fulfilment of the above requirements.

In the event the Standing auditor drawn from the list which ranked second in number of vote falls from office and can not be replaced, for any reason whatsoever, by the alternate auditor appointed from that same list, the same shall be replaced – by previously verifying fulfilment of the above requirements – by the candidate registered immediately thereafter within that same list or, in default, by the candidate registered as first in the list which ranked second in number of votes among the lists filed by minority shareholders.

In the event auditors can not be replaced, for any reason whatsoever, in accordance with the above criteria, a Shareholders' Meeting is called.



Should no list be submitted, the Shareholders' Meeting shall appoint the Board of Auditors and its Chairman by relative majority resolution. In this case, in the event an auditor falls from office before the expiry date of his or her term, the alternate Auditors according to seniority in age shall replace him or her until the Shareholders' Meeting coming next and, in the event the Chairman falls from office, the title of Chairman is taken on by the Auditor senior in age until the Shareholders' Meeting coming next.

Eight meetings of the Board of Auditors were held during 2007. Internal Auditing Committee's meetings were attended by at least one member of the Board of Auditors.

Lastly, the other offices held by the Astaldi's Auditors, limitedly to the offices as Director or Auditor in other companies listed on Italian regulated markets, are as follows:

Pierumberto Spanò	Chairman of the Board of Auditors of SNAM RETE GAS S.p.A.
Pierpaolo Singer	---
Antonio Sisca	---
Massimo Tabellini	---
Flavio Pizzini	---
Maurizio Lauri	Chairman of the Board of Auditors OF ACEA S.P.A. and alternate auditor of BANCA FINNAT EURAMERICA S.P.A.

Roma, March 27, 2008

on behalf of The Board of Directors  
(The Chairman)

# ***SUMMARY TABLES***

Table 1 BOARD OF DIRECTORS' AND COMMITTEE'S STRUCTURE IN 2007

Board of Directors in office									Internal Auditing Committee		Remuneration Committee	
Office	Members	Holding office since	Executive	Non executive	Independent pursuant to the Self-Governance Code	Independent pursuant to the T.U.F. (Italian Financial Services Act)	***	Number of additional offices *	**	***	**	***
<b>Honorary Chairman</b>	Ernesto Monti	May 2, 2007		x		x	85%	5			x	100%
<b>Chairman</b>	Vittorio Di Paola	May 2, 2007	x				100%	0				
<b>Deputy Chairman</b>	Paolo Astaldi	May 2, 2007	x				100%	2				
<b>Chief Executive Officer</b>	Giuseppe Cafiero	May 2, 2007	x				100%	0				
<b>Chief Executive Officer</b>	Stefano Cerri	May 2, 2007	x				100%	0				
<b>Director</b>	Caterina Astaldi	May 2, 2007		x			71%	1				
<b>Director</b>	Pietro Astaldi	May 2, 2007	x				57%	2				
<b>Director</b>	Luigi Guidobono Cavalchini	May 2, 2007		x			100%	1	x	100%		
<b>Director</b>	Grassini Franco A.	May 2, 2007		x	x	x	100%	1	x	67%	x	100%
<b>Director</b>	Mario Lupo	May 2, 2007		x	x	x	100%	0	x	100%		
<b>Director</b>	Nicola Oliva	May 2, 2007	x				100%	0			x	100%
<b>Director</b>	Maurizio Poloni	May 2, 2007		x	x	x	100%	0				
<b>Director</b>	Gian Luigi Tosato	May 2, 2007		x	x	x	85%	2				
<b>Number of meetings held during the period</b>			BoD: 7		Internal Auditing Committee: 4				Remuneration Committee: 2			

NOTES

\* This column shows the number of offices as director or auditor held by the individual concerned in other companies listed on regulated markets, including foreign regulated markets, in finance, banking and insurance companies as well as other large-size companies.

\*\* In this column, the "X" mark means that the director is a member of the Committee.

\*\*\* This column shows the percentage of each of the directors' attendance at BoD and Committee meetings, respectively, held in 2007. It should be noted that the percentage shown refers to the number of meetings each director or committee member has attended from the date of his/her appointment.

Table 1bis: DIRECTORS WHOSE TERM OF OFFICE EXPIRED IN 2007

<b>Directors whose Term of Office Expired during 2007</b>									<b>Internal Auditing Committee</b>		<b>Remuneration Committee</b>	
<b>Office</b>	<b>Members</b>	<b>Holding office from __ until __</b>	<b>Executive</b>	<b>Non executive</b>	<b>Independent pursuant to the Self-Governance Code</b>	<b>Independent pursuant to the T.U.F. (Italian Financial Services Act)</b>	<b>***</b>	<b>Number of additional offices *</b>	<b>**</b>	<b>***</b>	<b>**</b>	<b>***</b>
<b>Director</b>	Vittorio Mele	from April 30 2004 until May 2 2007		x	x	x	85%	0			x	-

**NOTES**

\* This column shows the number of offices as director or auditor held by the individual concerned in other companies listed on regulated markets, including foreign regulated markets, in finance, banking and insurance companies as well as other large-size companies.

\*\* In this column, the "X" mark means that the director is a member of the Committee.

\*\*\* This column shows the percentage of each of the directors' attendance at Board of Directors and Committee meetings, respectively, held in 2007. It should be noted that the percentage shown refers to the number of meetings each director or committee member has attended from the date of his/her appointment.

**TABLE 2: BOARD OF AUDITORS**

<b>Office</b>	<b>Members</b>	<b>Holding office since</b>	<b>List</b>	<b>Independence pursuant to the Code</b>	<b>Percentage of attendance at Board of Auditors meetings **</b>	<b>Number of other offices ***</b>
<b>Chairman</b>	<i>Pierumberto Spanò</i>	<i>April 28, 2006</i>	<i>minority</i>	x	100%	1
<b>Standing Auditor</b>	<i>Pierpaolo Singer</i>	<i>April 28, 2006</i>	<i>majority</i>	x	100%	0
<b>Standing Auditor</b>	<i>Antonio Sisca</i>	<i>November 9, 2006 *</i>	<i>majority</i>	x	100%	0
<b>Alternate Auditor</b>	<i>Maurizio Lauri</i>	<i>April 28, 2006</i>	<i>minority</i>	x	-	2
<b>Alternate Auditor</b>	<i>Massimo Tabellini</i>	<i>April 28, 2006</i>	<i>majority</i>	x	-	0
<b>Alternate Auditor</b>	<i>Flavio Pizzini</i>	<i>November 9, 2006</i>	<i>majority</i>	x	-	0
<b>Number of meetings held during the calendar year: 6</b>						
<b>Quorum required for filing lists by minorities for the election of one or more standing auditors</b> (pursuant to Art. 148 of the Italian Financial Services Act). Only shareholders who individually or jointly with other shareholders represent at least 1% of the share capital are entitled to file lists.						

**NOTES**

\* Antonio Sisca was appointed as alternate auditor on April 26, 2006 and, subsequently, as Standing Auditor on November 9, 2006.

\*\* The percentage stated refers to the number of meetings attended by each Auditor starting from the date of appointment.

\*\*\* This column shows the number of offices as director or auditor held by the concerned individual in other companies listed on regulated markets in Italy.

	<b>YES</b>	<b>NO</b>	Summary of the reasons for any departure from the Code recommendations
<b>System of powers conferred and transactions with related parties</b>			
<b>DID THE BoD CONFERRED THE POWERS AND DEFINED THE RELEVANT:</b>			
<i>a) limits</i>	X		
<i>b) manner of exercise</i>	X		
<i>c) and report intervals?</i>	X		
<i>Did the BoD reserve to examine and approve particularly significant economic, equity and financial transactions (including the transactions with related parties)?</i>	X		
<i>Did the BoD define the guidelines and criteria for the identification of "significant transactions"?</i>		X	
<i>Are the above-mentioned guidelines and criteria described in the report?</i>		X	
<i>Did the BoD define proper procedures to examine and approve the transactions with related parties?</i>	X		
<i>Does the report describe the procedures to approve the transactions with related parties?</i>	X		
<b>Procedures on the most recent appointment of directors and auditors</b>			
<i>Were candidacies as director filed at least 10 days in advance?</i>	X		
<i>Were candidacies as auditor accompanied by detailed information?</i>	X		
<i>Were candidacies as director accompanied by a statement of suitability for qualifying as independent?</i>	X		

**TABLE 3: OTHER PROVISIONS OF THE SELF-GOVERNANCE CODE**

<b>Shareholders' Meetings</b>			
<i>Did the Company approve a Shareholders' Meeting Regulation?</i>	X		
<i>Is the Regulation enclosed with the Report (or does the report set forth where the same may be requested / downloaded)?</i>		X	
<b>Internal Audit</b>			
<i>Did the Company appoint the internal auditing officers?</i>	X		
<i>Are the internal auditing officers hierarchically independent from operative area managers?</i>	X		
<i>Internal auditing officer's organizational unit (as per Art. 9.3 of the Code)</i>			<i>Internal Audit Dept.</i>
<b>Investor relations</b>			
<i>Did the Company appoint an Investor Relator?</i>	X		
<i>Investor Relator's organizational unit and contacts (address/telephone/fax/e-mail)</i>			<i>Alessandra Onorati – Investor Relator</i> <i>Astaldi S.p.A., Via G. V. Bona 65 - 00156 Rome, Italy tel.</i> <i>+39-06-417 66 389, fax. +30-06-417 66 713,</i> <a href="mailto:a.onorati@astaldi.com"><b>a.onorati@astaldi.com</b></a>