COMMITTEE FOR THE CORPORATE GOVERNANCE

OF LISTED COMPANIES

CORPORATE GOVERNANCE CODE

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TRANSLATION

(for reference purposes only)

CONTENTS

CORPORATE GOVERNANCE CODE

1. ROLE OF THE BOARD OF DIRECTORS

1.1. Listed companies are governed by a board of directors that meets at regular intervals and that adopts an organisation and a modus operandi enabling it to guarantee effective and efficient performance of its functions.

The Committee believes that the primary responsibility of the board of directors of a listed company is to set the company's strategic objectives and to ensure they are achieved.

In this sense the board performs a leadership function that is implemented not only through the meetings of the board, to be held at regular intervals, but also through the effective commitment of each director in such meetings and in those of the committees of the board.

The Committee, while recognising that shareholders' agreements can perform a useful function in the governance of listed companies, express its auspices that the central role of the board of directors will always be guaranteed. In addition, it recommends that the boards of listed companies belonging to a group should keep a firm hand on their management and work with a view to creating the maximum value for their own shareholders, albeit within the framework of the strategic and operational coordination provided by the holding company.

1.2. The board of directors shall:

a) examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it may head;

b) delegate powers to the managing directors and to the executive committee and revoke them; it shall specify the limits to such delegated powers, the manner of exercising them and the frequency, as a general rule not less than once every three months, with which such bodies must report to the board on the activity performed in the exercise of the powers delegated to them;

c) determine, after examining the proposal of the special committee and consulting the board of auditors, the remuneration of the managing directors and of those directors who are appointed to particular positions within the company and, where the shareholders' meeting has not already done so, allocate the total amount to which the members of the board and of the executive committee are entitled;

d) supervise the general performance of the company, with special reference to situations of conflict of interest, paying particular attention to the information received from the executive

committee (where established), the managing directors and the internal control committee and periodically comparing the results achieved with those planned;

e) examine and approve transactions having a significant impact on the company's profitability, assets and liabilities or financial position, with special reference to transactions involving related parties;

f) check the adequacy of the general organisational and administrative structure established by the managing directors for the company and the group;

g) report to the shareholders at shareholders' meetings.

As stated above, the board of directors' tasks include providing strategic guidance, as well as organisational guidance for the group.

The board is also the collective body responsible for verifying the existence of the controls needed to monitor the performance of the company.

In addition, the board has the authority to appoint one or more managing directors and an executive committee, requiring them, however, to provide adequate information on the exercise of the powers delegated to them. The Committee believes that the board has the right and the interest to monitor that there is not a significant concentration of decision-making power in the bodies with delegated powers without an adequate system of controls.

In fact, while it is certainly necessary for companies to have a strong executive leadership endowed with adequate powers and able to exercise them to the full, it is equally necessary for the board of directors, collectively, to supervise the running of the business in a predetermined and agreed manner.

At all events, the Committee recommends that, in addition to matters reserved to the board by law or the bylaws, the powers delegated to managing directors should not cover the most important transactions (including, in particular, those with related parties), the examination and approval of which remains the exclusive responsibility of the board. The Committee recommends that the board of directors should establish guidelines and criteria for identifying such transactions. The information provided to the shareholders' meeting shall be sufficiently detailed, so as to allow the advantages the transactions offer the company to be understood.

The appointment of an executive committee does not relieve the board of directors of any of the tasks assigned to it under this article.

1.3. Directors shall act and decide autonomously, having full knowledge of the facts, and pursue the objective of creating value for the shareholders. Directors shall accept their appointment to the board

when they deem they can devote the necessary time to the diligent performance of their duties, taking account, among other things, of the number of positions they hold on the boards of directors or auditors of other companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies.

The Committee recommends that each director should perform his or her functions conscientiously and that board decisions should accordingly be taken by directors who have full knowledge of the facts they are called upon to discuss and approve.

The decisions of each director are autonomous to the extent that they are taken in the light of his or her unbiased assessment of the facts in the interest of the generality of shareholders. Accordingly, even when operational choices have already been assessed by the controlling shareholders (individually or under a shareholders' agreement), each director is required to cast his or her vote autonomously, making choices that can reasonably be expected to maximise shareholder value.

The creation of value for the generality of shareholders is the primary objective the directors of listed companies seek to achieve. The emphasis placed on shareholder value, apart from reflecting the approach that is internationally prevalent, is in conformity with Italian law, which sees the interest of the shareholders as the reference parameter for the action of those who lead the company. For listed companies, moreover, promoting the value of the shares is also the indispensable premise for a profitable relationship with the financial market.

Independence of judgement is required in the decisions of all directors, executive and non-executive alike, regardless of whether the latter are "independent" within the meaning of Article 3 below.

The reference to the time to be devoted to the diligent performance of the duties of directors confirms the principle that all directors are individually required to make an appropriate commitment to the position, so that companies can benefit from their expertise. Each director is therefore responsible for assessing in advance his or her ability to play the role diligently and effectively.

Every year the board shall collect data on the positions held by directors on the boards of directors or auditors of other listed companies and of companies of the other categories specified in the text and publish the results in the report on operations.

1.4. Directors are required to know the duties and responsibilities associated with their function. Managing directors shall take steps to keep the board informed of the main statutory and regulatory innovations concerning the company and the governing bodies.

The Committee believes that it is up to individual directors to know the duties and responsibilities associated with the position of director. Managing directors are required to take steps to ensure that all the

directors are kept abreast of the main innovations in the legal framework within which the company operates, especially the legal provisions concerning the performance of the functions of director.

2. COMPOSITION OF THE BOARD OF DIRECTORS

2.1. The board of directors shall be made up of executive directors (i. e. the managing directors, including the chairman where he or she has delegated powers, and those directors who perform management functions within the company) and non-executive directors. The number and standing of the non-executive directors shall be such that their views can carry significant weight in taking board decisions.

With reference to a fairly frequent case, it should be noted that assigning powers exclusively for emergencies to directors without delegated operational powers does not qualify them as executive directors.

2.2. Non-executive directors shall bring their specific expertise to board discussions and contribute to the taking of decisions that are consistent with the shareholders' interests.

In Italy non-executive directors normally outnumber executive directors. The Committee recommends that, in practice, each company should determine the number, experience and personal traits of its non-executive directors in relation to its size, the complexity and specific nature of its sector of activity, and the total membership of the board.

The fact that decision-making powers in the running of the company are delegated to only some directors does not eliminate the importance of the board of directors really being able, in the performance of its strategic and supervisory duties, to express authoritative judgements that are the fruit of authentic discussion among professionally qualified persons.

The primary role of the non-executive component is to make a positive contribution to the performance of these duties.

Non-executive directors enrich board discussions with expertise acquired outside the company of a general strategic or specific technical nature. Such expertise allows matters under discussion to be analysed from different standpoints and thus helps to fuel the dialectical debate that is the distinctive prerequisite for pondered and conscious collective decisions.

The contribution of non-executive directors is also useful in matters where the interest of the executive directors and the more general interest of the shareholders might not coincide. In fact, the non-executive component of the board, because it is not involved in the running of the company, can assess the proposals and the behaviour of the executive directors with greater detachment.

3. INDEPENDENT DIRECTORS

3 An adequate number of non-executive directors shall be independent, in the sense that they:

a) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the company, its subsidiaries, the executive directors or the shareholder or group of shareholders who controls the company of a significance able to influence their autonomous judgement;

b) neither own, directly or indirectly or on behalf of third parties, a quantity of shares enabling them to control the company or exercise a considerable influence over it nor participate in shareholders' agreements to control the company.

c) are not immediate family members of executive directors of the company or of persons in the situations referred to in points a) and b).

3.2 Directors' independence shall be periodically assessed by the board of directors on the basis of the information provided by each interested party. The results of assessments shall be communicated to the market.

Independence of judgement is required of all directors, executive and non-executive alike: directors who are conscious of the duties and rights associated with their position always bring independent judgement to their work.

In particular, non-executive directors, since they are not directly involved in the running of the company, are qualified to bring an independent and unbiased judgement to the resolutions proposed by the managing directors.

The Committee recommends that, in line with international practice, a number of "independent" directors should be elected to the boards of listed companies that is adequate in relation to the total number of non-executive directors and significant in terms of representativeness. The role of independent directors is important, not only in board discussions but also for their participation in the committees, dealt with later in the Code, established by the board of directors to address delicate issues and potential sources of conflicts of interest.

The Committee notes that the most delicate aspect in companies with a broad shareholder base consists in aligning the interests of the managing directors with those of the shareholders. In such companies, therefore, the predominant aspect is their independence from the managing directors.

By contrast, where the ownership is concentrated, or a controlling group of shareholders can be identified, the problem of aligning the interests of the managing directors with those of the shareholders continues to exist, but there emerges the need for some directors to be independent from the

controlling shareholders too, so as to allow the board to verify that potential conflicts of interest between the interests of the company and those of the controlling shareholders are assessed with adequate independence of judgement

The Committee recognises, however, that this need may be attenuated where the company is controlled by a plurality of mutually independent persons, none of whom is in a position to exercise a dominant influence.

The adequacy of the number of independent directors also depends on whether the company belongs to a group, in view of the principle of operational autonomy embodied in the stock exchange rules in conformity with international practice. The Committee recommends that where a company is controlled by another listed company, the number of such directors should permit the formation of an internal control committee made up exclusively of independent directors. The Committee also recommends that where the issuer is controlled by a listed or an unlisted company operating, directly or via other subsidiaries, in the same sector or in contiguous sectors, the composition of the issuer's board of directors should ensure adequate conditions of management autonomy and hence the maximisation of the issuer's own economic and financial objectives.

Classifying non-executive directors as independent does not imply any particular value, either positive or negative, but is simply the result of a fact: the absence, as the rule states, of business relationships with the managing directors of the company (especially for companies with a broad shareholder base) and with the controlling shareholders (especially for companies with a concentrated ownership) that, in view of their importance (to be evaluated on a case-by-case basis), would affect their independence of judgement and unbiased assessment of the work of the management.

On the contrary, director's fees and a shareholding of a size that does not give control of the company in question or a considerable influence over it do not violate the independence requirement.

The assessment of each director's independence is to be made by the board of directors as a whole. The Committee does not believe that indicating precise criteria, quantitative or otherwise, would be helpful in this respect. As regards directors' business dealings, what is important is their relevance rather than the fact that they are settled at market conditions. In the case of earlier business dealings, reference should be made to the previous financial year and for work relationships and functions of executive director, to the three preceding financial years.

For the purpose of assessing independence, "indirect" business and shareholder relationships are also taken into consideration. It is therefore necessary to consider relationships between: on the one hand, directors, members of their families, the professional partnerships of which they are members, the companies they or members of their families control directly or indirectly, and the companies of which such persons are directors or managers and, on the other hand, the company in question, the shareholders who, directly or indirectly, control it, the executive directors, and the companies such persons control directly or indirectly.

The legal structure of Italian governing bodies means that it is possible for members of the executive committee to be considered non-executive and independent directors insofar as this committee is a collective body that does not attribute individual powers to its members.

Lastly, the Committee believes that the presence on the board of directors of members who can be considered "independent" is the best way to guarantee the composition of the interests of all the shareholders, majority and minority alike. Accordingly, in the correct exercise of the rights to elect directors, it is possible for "independent" directors to be proposed by the controlling or majority shareholders; independence is an objective quality that cannot be affected by the type of shareholder making the proposal.

4. THE CHAIRMAN OF THE BOARD OF DIRECTORS

4.1. The chairman shall call the meetings of the board and shall take steps to ensure that the members of the board are provided reasonably in advance of the date of the meeting (except in cases of necessity and as a matter of urgency) with the documentation and information needed for the board to express an informed view on the matters it is required to examine and approve.

4.2. The chairman shall co-ordinate the activities of the board of directors and moderate its meetings.

4.3. Where, in order to promote the effective and efficient management of the company, the board has delegated powers to the chairman, it shall disclose adequate information in its annual report on the powers delegated following that organisational choice.

The Committee believes that the role of the chairman is fundamental in ensuring the effective working of the board and efficient Corporate Governance. The chairman is responsible for calling meetings, setting the agenda, arranging (in a manner agreed with the managing directors) for the distribution of adequate and timely information to the directors (especially the non-executive directors) and ensuring that all the directors can make a knowledgeable and informed contribution to board discussions.

In cases of necessity and as a matter of urgency exceptions to the foregoing information requirement may arise.

The Committee considers that in some circumstances the nature of the matters to be discussed, the need for confidentiality (especially for companies whose activity involves the interests of third parties) and the rapidity with which the board must decide may impose limits on the information to be provided.

The Committee considers, in principle, that chairmen and the managing directors each have their own tasks, but notes that it is not infrequent in Italy for the same person to hold the two positions or for some management powers to be delegated to the chairman even where there are managing directors. With reference to the powers delegated to the chairman, he is also a managing director.

The Committee therefore believes that the board of directors, where it deems this to be desirable in order to achieve a more efficient running of the company, has the right to delegate management powers to the chairman alone or with others. In such case the board should include adequate information in its annual report on the duties and responsibilities of the chairman and the managing directors.

5. INFORMATION TO BE PROVIDED TO THE BOARD OF DIRECTORS

The executive committee - in the person of its chairman - and the managing directors shall periodically report to the board of directors on the activities performed in the exercise of their delegated powers.
The bodies with delegated powers shall also provide adequate information on transactions that are atypical, unusual or with related parties whose examination and approval are not reserved to the board of directors.
They shall provide the board of directors and the board of auditors with the same information.

The committee recommends that the exercise of the powers delegated to managing directors and the executive committee should be accompanied by the provision of adequate and regular information to the board, on an organised basis.

The interval between such reports depends on the importance of the delegated powers and the frequency with which they are exercised and may also vary with the sector in which the company operates and the size of the company.

The Committee recommends that the bodies with delegated powers should pay particular attention to (and provide specific information on) the most delicate matters, i.e. transactions that are atypical, unusual or with related parties.

Such transactions, which are certainly legitimate when undertaken in the interest of the company, must, however, either be approved by the board of directors as a whole, as in the case of those of particular significance referred to in Article 1.2, subparagraph e), or, when carried out on the basis of delegated powers or not of material significance, be reported adequately to all the members of the board.

Lastly, the Committee believes that, since the board of directors is required by law to inform the board of auditors, all the directors must

possess at least as much information as is provided to the board of auditors.

6. CONFIDENTIAL INFORMATION

6.1. The managing directors shall ensure the correct handling of confidential information; to this end they shall propose to the board of directors the adoption of internal procedures for the internal handling and disclosure to third parties of information concerning the company, with special reference to price-sensitive information and information concerning transactions involving financial instruments carried out by persons whose positions give them access to relevant information.

6.2. All the directors are required to treat the documents and information they acquire in the performance of their duties as confidential and to comply with the procedures adopted for the disclosure to third parties of such documents and information.

Listed companies, in view of the importance of the disclosure of information, both for investors and for the regular formation of prices in the financial markets on which they are listed, must pay special attention to the diffusion of information to third parties, especially if it is price sensitive.

The Committee recommends, *inter alia* owing to the positive value of correct disclosure of information to the market, that listed companies should adopt internal procedures for the handling of such information in order to prevent its being communicated selectively (i.e. given early to certain persons, such as shareholders, journalists or analysts) or in an untimely, incomplete or inadequate manner. The managing directors are required to propose the adoption of such procedures to the board of directors and to take care of the handling of confidential information and the communication to the market of price-sensitive information.

The system for handling information shall include the dealing code that the applicable regulations require each issuer to draw up governing the disclosure requirements for transactions involving financial instruments carried out by directors, managers, members of the board of auditors and other persons whose positions give them access to relevant information (known as relevant persons). In identifying such persons, issuers can also consider the officers responsible for operational divisions, legal and corporate services, finance and external relations. Issuers are required to inform the persons concerned of their obligations with reference to transactions that are covered by the dealing code and provide them with the assistance needed to ensure such transactions can be notified to the company as soon as possible and in the manner, including electronic transmission, the latter establishes. Every issuer should assess the desirability of specifying shorter intervals than those established in the regulations for the disclosure to the public of information on the transactions carried out by relevant persons.

The Committee believes it must underscore the absolutely confidential nature of the information directors acquire in the performance of their functions and call on them to comply with the procedures for communicating information to third parties.

7. APPOINTMENT OF DIRECTORS

7.1. Proposals for appointments to the position of director, accompanied by detailed information on the personal traits and professional qualifications of the candidates with an indication where appropriate of their eligibility to qualify as independent directors as defined in Article 3, shall be deposited at the company's registered office at least 10 days before the date fixed for the shareholders' meeting or at the time the election lists, if provided for, are deposited.

7.2. Where the board of directors has established a committee to propose candidates for appointment to the position of director, the majority of the members of such committee shall be non-executive directors.

The Committee recommends that the election of members of the board of directors should take place in accordance with a transparent procedure.

In general, proposals for the election of directors are put forward by the majority or controlling shareholders, who obviously make a preliminary selection of the candidates.

In the case of companies with a broad shareholder base, instead, candidates are also put forward, sometimes by means of election lists provided for in the bylaws, by minority or non-controlling shareholders.

In both cases it is in the interest of the generality of shareholders to know the personal traits and professional qualifications of candidates (as well as the positions they hold) sufficiently in advance for them to be able to cast their votes in an informed manner, especially in the case of institutional investors, which are often represented in shareholders' meetings by proxies.

The Committee believes that it is also possible for such characteristics to be assessed in the light of the positions that each candidate might be called upon to hold in the company (chairman, managing director, member of the executive committee, etc.).

The Committee has envisaged the possibility of listed companies establishing a nomination committee to propose candidates for election, especially where the board sees that it is difficult for shareholders to make proposals, as may be the case in listed companies with a broad shareholder base.

In such cases the Committee recommends the establishment of a nomination committee, but recognises that the function can be performed by the board of directors itself when it is small.

This committee, which can obviously receive proposals from shareholders as well as formulating its own, serves the primary purpose of rendering the selection procedure transparent. The majority of the members of the committee should be non-executive directors.

8. REMUNERATION OF DIRECTORS

8.1. The board of directors shall form a committee on remuneration and stock option or equity based remuneration plans. The committee, the majority of whose members shall be non-executive directors, shall submit proposals to the board, in the absence of the persons directly concerned, for the remuneration of the managing directors and of those directors who are appointed to particular positions and, acting on a proposal from the managing directors, for the criteria to be used in determining the remuneration of the company's top management. To this end the committee may employ external consultants at the company's expense.

The issue of the remuneration of managing directors and those entrusted with special duties can, in nearly all listed companies, be largely based on a practice similar to that which it is intended to institutionalise here. In fact, the preparation of a proposal for such remuneration is usually delegated to directors who are non-executive or in any case able to formulate proposals without incurring conflicts of interest.

The Committee therefore recommends the establishment of a remuneration committee consisting prevalently of non-executive directors, which does not involve any special problems under Italian law since, in conformity with the second paragraph of Article 2389 of the Civil Code, the committee's function is only to make proposals, so that that the power to establish the "remuneration of directors appointed to particular positions in accordance with the articles of association" remains with the board of directors.

The remuneration committee is also entrusted with the task of identifying and proposing to the board, on the basis of the indications provided by the managing directors, the adoption of criteria for the remuneration of the top management of the company able to attract and motivate persons with adequate ability and experience. The committee may avail itself of consultants, who may be useful in providing the necessary information on market standards for remuneration systems.

Determining the politics and levels of the remuneration of top management obviously remains the task of the managing directors.

8.2. As a general rule, in determining the total remuneration payable to the managing directors, the board of directors shall provide for a part to be linked to the company's profitability and, possibly, to the achievement of specific objectives laid down in advance by the board of directors itself.

The Committee believes that the appropriate structuring of the total remuneration of managing directors is one of the main means of aligning their interests with those of the shareholders and that systems of variable remuneration linked to results, including stock options, make it easier to motivate the entire top management and promote its loyalty.

However, it is for the board of directors, acting on a proposal from the remuneration committee, to decide whether to make extensive use of such systems of remuneration and set the objectives for managing directors.

9. INTERNAL CONTROL

9.1. The internal control system is the set of processes serving to monitor the efficiency of the company's operations, the reliability of financial information, compliance with laws and regulations, and the safe-guarding of the company's assets.

9.2. The board of directors is responsible for the internal control system; it shall lay down the guidelines for the system, periodically check that it is adequate and working properly, and verify that the main risks facing the company are identified and managed appropriately.

9.3. The managing directors shall identify the main risks the company is exposed to and submit them to the board of directors for its examination; they shall implement the guidelines laid down by the board of directors for the planning, operation and monitoring of the internal control system and shall appoint one or more persons to run it and provide them with appropriate resources.

9.4. The persons appointed to run the internal control system shall not be placed hierarchically under a person responsible for operations and shall report on their activity to the managing directors and to the internal control committee (provided for in Article 10 below) and the members of the board of auditors.

The Committee is aware that no control system can entirely prevent events leading to unexpected losses or unintentional misrepresentations of operational facts, but it believes that the establishment of an effective internal control system is a key aspect of the good governance of listed companies.

The internal control system can be organised in different ways, according to the situation of each company.

In accordance with international practice, derived from the work of the Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report), the definition adopted stresses the nature of a process involving all the company's functions and aimed at fulfilling the four main objectives indicated in the text.

Responsibility for the internal control system lies with the board of directors. The Committee therefore recommends that this body should be assigned the task of laying down the guidelines for internal control and risk management and that of periodically checking the functioning of the internal control system, assisted by the internal control committee and the The persons appointed to run the internal control system.

In the light of the best practice found in listed companies and the supervisory rules applicable to some categories of financial intermediaries, the Committee recommends that the persons appointed to run the internal control system should be free from hierarchical ties with the persons subject to their control, in order to prevent interference with their independence of judgement.

In companies that have an internal audit function, the persons appointed to run the internal control system can also be the head of the internal audit function. In companies that do not have an internal audit office, the board of directors should periodically assess the desirability of instituting one.

The internal control system covers both financial risks and operational risks, including, therefore, those arising in connection with the effectiveness and efficiency of operations and compliance with laws and regulations.

The persons appointed to run the internal control system report to the managing directors to allow them to intervene promptly where necessary and to the internal control committee and the board of auditors to keep them informed of the results of their work.

10. INTERNAL CONTROL COMMITTEE

10.1. The board of directors shall establish an internal control committee, charged with the task of giving advice and making proposals and made up of non-executive directors, of which the majority shall be independent. The chairman of the board of auditors or another auditor appointed by the same shall participate in the committee's meetings.

10.2. In particular the internal control committee shall:

a) assist the board in performing the tasks referred to in Article 9.2;

b) assess the work programme prepared by the persons responsible for internal control and receive their periodic reports;

c) assess, together with the heads of administration and the external auditors, the appropriateness of the accounting standards adopted and, in the case of groups, their uniformity with a view to the preparation of the consolidated accounts;

d) assess the proposals put forward by auditing firms to obtain the audit engagement, the work programme for carrying out the audit and the results thereof as set out in the auditors' report and their letter of suggestions;

e) report to the board of directors on its activity and the adequacy of the internal control system at least once every six months, at the time the annual and semi-annual accounts are approved;

f) perform the other duties entrusted to it by the board of directors, particularly as regards relations with the auditing firm.

The Committee recommends that the board of directors, in performing its supervisory duties, should establish an internal control committee charged with the task of analysing and addressing the problems of importance for the control of the company's activities.

This committee is the formally constituted body able to make autonomous and independent assessments *vis-à-vis* both the managing directors, for issues concerning the safeguarding of the company's integrity, and the auditing firm, for the results set out in the auditors' report and their letter of suggestions.

This explains the composition of the committee, which must be made up of a majority of independent directors and, where the company is controlled by another listed company, exclusively of independent directors (see comment to Article 3). Consistently with the functions of the committee, provision is also made for the chairman of the board of auditors or another auditor appointed by the same to participate in its meetings in representation of the control body provided for in the bylaws. The managing directors may also participate in the internal control committee since they are empowered to intervene in the matters examined and to identify adequate measures to tackle potentially critical situations.

The list of the committee's tasks is not exhaustive since the board of directors may decide, in the light of the company's nature and the particular types of risk incurred in its entrepreneurial activity (consider banks and insurance companies), to entrust other tasks to the committee.

11. TRANSACTIONS WITH RELATED PARTIES

11.1. Transactions with related parties shall comply with criteria of substantial and procedural fairness.

The definition of transactions with related parties can be derived, *inter alia*, from international accounting standards (IAS 24). The reference to

fairness reflects best international practice as well as having a basis in Italian legislation on conflicts of interest. Substantial fairness means the fairness of the transaction from the economic point of view, as when, for example, the consideration for a good is in line with the market price. Procedural fairness means compliance with the procedures that are intended to ensure the substantial fairness of transactions.

11.2. Directors who have an interest, even if only potential or indirect, in a transaction with related parties shall:

a) promptly inform the board in detail of the existence of the interest and of the related circumstances;

b) abandon the board meeting when the issue is discussed.

The Committee considers that the board should be told in advance and in sufficient detail of any interests that directors have in transactions with related parties, so that the other directors can be fully informed about the extent and importance of such interests, regardless of whether there is a conflict.

The Committee leaves it up to the board to take the appropriate decisions where directors abandoning the meeting when the issue is discussed would result in there no longer being the necessary *quorum*.

11.3. Where the nature, value or other aspects of a transaction with related parties make this necessary, the board, in order to avoid different conditions being agreed from those that would presumably have been agreed between unrelated parties, shall ensure that the transaction is concluded with the assistance of independent experts for the valuation of the assets and for the provision of financial, legal or technical advice.

Substantial fairness can be pursued by adopting courses of conduct which can be derived from international best practice and widely followed in Italy (at least for major one-off transactions), such as the use of advisors (banks, auditing firms and other experts) for the issuance of fairness opinions and of lawyers for the issuance of legal opinions. The Committee recommends that boards should carefully assess the independence of experts and, in order to reinforce this independence, suggests that different experts should be used in the most important transactions for each related party.

12. RELATIONS WITH INSTITUTIONAL INVESTORS AND OTHER SHAREHOLDERS

The chairman of the board of directors and the managing directors shall, while complying with the procedure for the disclosure of documents and information concerning the company, actively endeavour to develop a dialogue with shareholders and institutional investors based on recognition of their reciprocal roles. They shall designate a person or, where appropriate, create a corporate structure to be responsible for this

function.

The Committee believes that it is in the interest of listed companies to establish a continuous dialogue with the generality of shareholders and, in particular, with institutional investors.

In fact, correct, complete and continuous communication with shareholders is something that is appreciated by present and prospective investors.

In view of the special role and functional specialisation of institutional investors, the Committee recommends that companies identify the person responsible for relations with investors and that highly capitalised companies with a broad shareholder base establish a corporate structure devoted to this function and provided with adequate means and professional skills.

The Committee also recognises that, in smaller companies with a simpler organisation, the task of handling investor relations can be performed directly by appropriately identified members of the top management of the company.

The specification that the dialogue with institutional investors must be established in compliance with companies' communication procedures is intended as a reminder that it must not lead to the communication of important facts before they are communicated to the market.

The Committee deemed that the behaviour of institutional investors was beyond the scope of its remit. It nonetheless express its auspices that recognition by them of the importance of the rules of Corporate Governance contained in this Code may prove to be an important element in fostering a more convinced and widespread application of the Code's principles by listed companies.

13. SHAREHOLDERS' MEETINGS

13.1. The directors shall encourage and facilitate the broadest possible participation of shareholders in shareholders' meetings;

13.2. As a general rule, all the directors shall attend shareholders' meetings.

13.3. Shareholders' meetings shall also be an opportunity to provide shareholders with information on the company, while complying with the procedure concerning price-sensitive information.

The Committee believes that, even where the means of communication with shareholders, institutional investors and the market are widely diversified (including telematic systems), shareholders' meetings continue to provide an opportunity to establish a profitable dialogue between directors and shareholders. With reference to this dialogue it is again necessary to recall the duty of companies not to communicate price-

sensitive information to shareholders without simultaneously disclosing it to the market.

Accordingly, the Committee recommends that, in choosing the place, date and time for shareholders' meetings, directors should bear in mind the objective of making it as easy as possible for shareholders to attend and, since such meetings are an occasion for dialogue between shareholders and directors, that the latter should be present, especially those who, in view of the duties with which they are entrusted in the board of directors and/or the committees of the board, can make a useful contribution to the discussion in the meeting.

13.4. The board of directors shall propose for the shareholders' approval a set of rules to ensure the orderly and effective conduct of the company's ordinary and extraordinary shareholders' meetings, while guaranteeing the right of each shareholder to speak on the matters on the agenda.

The Committee recommends that companies should establish rules for shareholders' meetings laying down the procedures to be followed in order to permit the orderly and effective conduct of business, without prejudice, however, to the right of each shareholder to express his or her opinion on the matters under discussion.

The matters covered in the rules can include the maximum duration of individual interventions, their order, the voting procedures, the interventions by directors and members of the board of auditors, as well as the powers of the chairman, *inter alia* with regard to settling or preventing conflicts in meetings.

13.5. In the event of a significant change in the market value of the company, the composition and/or the number of shareholders, the directors shall assess whether proposals should be submitted to the shareholders' meeting to amend the bylaws as regards the majorities required for the approval of resolutions to adopt the measures and exercise the rights provided for to protect minority interests.

With reference to the legal provisions protecting the rights of minorities that require minimum percentages to be fixed for the exercise of voting rights and the prerogatives of minorities, the Committee recommends that directors should continuously assess the desirability of adapting such percentages in line with the evolution of the company's size and shareholder structure.

14. MEMBERS OF THE BOARD OF AUDITORS

14.1. Proposals to be submitted to the shareholders' meeting for appointments to the position of auditor, accompanied by detailed information on the personal traits and professional qualifications of the candidates, shall be deposited at the company's registered office at least 10 days before the date fixed for the shareholders' meeting or

at the time the related lists are deposited.

14.2. The members of the board of auditors shall act autonomously with respect to shareholders, including those that elected them.

14.3. The members of the board of auditors are required to treat the documents and information they acquire in the performance of their duties as confidential and to comply with the procedure for the disclosure to third parties of such documents and information.

As laid down in Article 7.1 for the election of directors, the Committee recommends that the members of the board of auditors should be elected by means of a transparent procedure and that shareholders should receive the information they need to exercise their voting rights in an informed manner.

The Committee believes that in a correct system of Corporate Governance the interests of the generality of shareholders must all be put on the same footing and equally protected and safeguarded.

The Committee is convinced that the interests of the majority and those of the minority must confront each other in the election of the governing bodies; subsequently, the governing bodies, and hence also the members of the board of auditors, must work exclusively in the interest of the company and to create value for the generality of shareholders.

Accordingly, the members of the board of auditors proposed or elected by the majority or the minority are not their "representatives" on the board and even less are they authorised to communicate information to third parties, especially the shareholders who elected them. They must also comply with the procedure established for the disclosure of information concerning the company to third parties.

COMMITTEE

Stefano	**PREDA**
Benito	**BENEDINI**
Enrico	**BONDI**
Guido	**CAMMARANO**
Massimo	**CAPUANO**
Innocenzo	**CIPOLLETTA**
Fedele	**CONFALONIERI**
Davide	**CROFF**
Alfonso	**DESIATA**
Massimo	**FERRARI**
Gabriele	**GALATERI DI GENOLA**
Franzo	**GRANDE STEVENS**
Berardino	**LIBONATI**
Adolfo	**MAMOLI**
Pietro	**MARZOTTO**
Rainer	**MASERA**
Vittorio	**MERLONI**
Stefano	**MICOSSI**
Alessandro	**PROFUMO**
Maurizio	**SELLA**
Sergio	**SIGLIENTI**
Angelo	**TANTAZZI**
Francesco	**TARANTO**
Marco	**TRONCHETTI PROVERA**

EXPERTS

Guido	**FERRARINI**
Marco	**ONADO**
Roberto	**RUOZI**

SECRETARY

Michele	**MONTI**

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