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CORPORATE GOVERNANCE IN ITALY AND IMPLEMENTATION OF THE SHAREHOLDERS' RIGHT DIRECTIVE

The debate on the adoption of new Corporate Governance rules has considerably developed in Italy in the past years and, as a consequence, important regulatory and self-regulatory actions have been taken. The 1998 reform, which adopted the Testo Unico sull'Intermediazione Finanziaria (Consolidation Law on financial brokerage, hereinafter Tuif), and the integration of the Governance Code for listed companies (the so-called Codice Preda) have been supplemented by the 2003 reform of company law, which brought iinportant changes in the governance models (at least the regulatory ones) of listed and unlisted Italian companies

The governance models currently provided for by our law (regarding stock companies) are three:

1. **standard system**: it is based on an administrative board appointed by the shareholders' meeting (sole director or board of directors) and the Board of Auditors, which is also appointed by the shareholders' meeting. This administrative and control system, which applies in default of an alternative choice expressed in the articles of incorporation, is based on the separation of a managing board – Sole Director or Board of Directors – and a board of control, the Board of Auditors.

The most important novelties introduced by the reform are listed here below:

a) Regulation of the duties of the Chairman of the Board of Directors, whose function is not a managing one, but to have the Board of Directors work efficiently.

b) The precise indication of the powers-duties of the appointed boards (Managing Director and Executive Committee) in connection with the other members of the Board (Appointing Directors).

c) The precise indication of the powers-duties of the Appointing Directors.

2. **dual system**: administration and control are carried out by a Supervisory Board, to be appointed by the shareholders' meeting, and a Management Board, directly appointed by the Supervisory Board.

It is characterized by the presence of:

- the Management Board;
- the Supervisory Board.

The members of the Management Board:

- must be at least two, even if they are not shareholders, and are appointed by the Supervisory Board for not more than three years;
- may be revoked by the Supervisory Board at any time;
- have the same liability as the directors.

The members of the Supervisory Board:

- must be at least three and are appointed by the shareholders' meeting for three years (renewable); the shareholders' meeting also appoints its chairman;
- may be revoked by the shareholders' meeting at any time;
- are subject to the grounds for termination provided for the auditors.

- The shareholders have the power, in addition to appoint the Supervisory Board and the auditor (or an auditing company), to determine: i) the guidelines of the company's economic plan; ii) the changes in the company's structure (capital operations, mergers and, more generally, resolutions of the Extraordinary Meeting);

- the Management Board has the power to manage the company, that is it has the exclusive power to carry out all the operations necessary to implement the business purpose;

- the Supervisory Board has mixed powers, including supervision powers – typical of the Board of Auditors in the traditional system – and some of the most important powers held by the ordinary Meeting.

3. **monistic system**: administration and control are carried out by the Board of Directors, which is appointed by the meeting, and a management control committee, formed within the Board of Directors, and whose members must be particularly endowed with independence and professionalism, respectively.

This system includes a single management board, the Board of Directors, within which a control committee is appointed.

A part of the regulations established for the Board of Directors in the standard system applies to the Board of Directors. The following rules apply to the control committee:

1) its members are appointed by the Board of Directors (they must be at least three if the company resorts to the risk capital markets); 2) they must be endowed with high standards of independence and professionalism; 3) the chairman is appointed by the majority of the control committee.

Of course, all governance systems have the shareholders' meeting, with exclusively deliberating functions, whose powers are limited by law (articles 2364-2365 of the civil code) to the most important decisions in the company's life; the meeting's powers do not include the resolution activity on the company management.

The external accounting control is also provided for the companies that adopt the dual or monistic system.

The most important corporate governance principles current on the Italian market are listed here below:

Shareholders' rights and fair treatment: companies should respect the shareholders' rights and help them to exercise such rights. Helping the shareholders to exercise their rights means communicating understandable and accessible information and encourage them to participate and vote in the meetings.

Shareholders' interests: companies must acknowledge that they have legal obligations or other types of obligations with all shareholders.

Board of Directors' roles and responsibilities: the Board of Directors must be formed by people who are able to accomplish its primary functions, including those of strategic direction and control of the company's activity;

Clarity and transparency: companies must fully disclose the Board of Directors' and the management's roles and responsibilities and remuneration in order to give a suitable level of information to the shareholders.

Integrity and ethical behavior: companies should draw up a behavioral code for their managers and directors that promotes responsible and ethical decision-making processes.

The importance of the Corporate Governance issue in Italy has further grown because of:

1) the **Corporate Governance Code of listed companies** – drawn up by Borsa Italiana – whose purpose is to reassure the community of international investors on the existence, in listed companies, of an organizing model that provides for suitable divisions of liabilities and powers, and a proper balance between management and control.

2) **Legislative Decree 231/2001**, which has introduced the concept of the companies' liability for crimes perpetrated by directors, managers or employees subject to their supervision, which result in heavy money penalties or prohibitions.

The main trend of the corporate governance rules in Italy are the increase in the management's accountability and the Board of Directors' independence through actions like:

- the increase in independent or non-executive directors;
- the establishment of internal committees, mostly formed by independent directors;
- the separation of the managing director role and the chairman role;

- the regular evaluation of the directors' performance.

DIRECTORS' REMUNERATION

According to the Code of Borsa Italiana SpA, by the end of the fiscal year that begins in 2011, the company's general policy setting out the guidelines under which the remuneration should be specifically determined by the Board for the remuneration of executive directors and other directors with special positions, and managing directors, with respect to key management personnel. The auditors also verify the coherence of the proposals with the general policy on remuneration.
The directors submit the annual meeting a report outlining the general policy on remuneration of executive directors, other directors with special duties (in particular, the President and any Vice Presidents), and the key management personnel. This report should:

The meeting of members is involved in the approval process of the general policy mentioned above.

The remuneration of executive directors and key management personnel is defined so as to align their interests with the pursuit of priority of creating value for shareholders in the medium to long term.

For administrators with managerial powers or performing functions relating to the management company and managers with strategic responsibilities, a significant proportion of remuneration is tied to achieving specific performance objectives, including non-economic, previously indicated and measured guidelines contained in the general policy.

The non-executive directors' remuneration is commensurate with the commitment required of each of them, also taking account of participation in one or more committees.

The general policy for the remuneration of executive directors define guidelines, with reference to and in accordance with the following criteria:

a) the fixed component and variable component are properly balanced according to the strategic objectives and policy of risk management of the issuer, taking into account the business sector in which it operates and the nature of the business actually carried ;
b) are designed for maximum variable components;
c) the fixed component of remuneration is sufficient to provide the administrator when the variable component was not delivered because of failure to achieve performance targets specified by the Board;
d) the performance targets are predetermined, measurable and linked to value creation for shareholders in the medium to long term;
e) the payment of a substantial portion of the variable component of remuneration is deferred for an appropriate period of time than at the time of maturation, the extent and

duration of that portion of the deferral is consistent with the characteristics of the business conducted and the associated risk profiles;
f) the allowances provided for the early retirement of directors or its non-renewal is defined so that its total amount not exceed a specified amount or a specified number of years of remuneration.

Are also planned share-based compensation plans, with some measures designed to prevent such plans can encourage their recipients to conduct favoring the increase in short-term market value of the shares at the expense of value creation in the medium to long term.

In preparing such plans, the Board shall ensure that:

a) shares, options and other rights granted to directors to buy shares or to be remunerated on the basis of developments in the price of the shares have a vesting period of at least three years;
b) the vesting referred to in paragraph a) is subject to predetermined and measurable performance targets;
c) the directors retain office until the end of a share of stock granted or purchased through the exercise of rights referred to in paragraph a)

For key management personnel related to the company by a permanent contract, the plan should identify a reasonable deadline constraint, such as three years from the date of acquisition of shares.

Certain share-based compensation plans (eg plans phantom cd phantom stock or stock options) do not actually provide the allocation or purchase of shares, but only the provision of cash prizes benchmarks upon actions themselves. In such cases it is necessary to establish appropriate mechanisms for share retention, for example by providing a share of the prizes awarded by the beneficiary is reinvested in shares of companies that are maintained until the end of the engagement.

The remuneration of non-executive directors is not - except for an insignificant portion - linked to the economic results achieved by the issuer. Non-executive directors are not subject to share-based compensation plans, except reasoned decision of the shareholders.

The complexity and sensitivity of the matter requires that the remuneration for Board decisions are supported by inquiry and proposals of the Remuneration Committee which involved the president of the supervisory board or another auditor designated by him .

The remuneration committee report to shareholders concerning the exercise of its functions and for this purpose to 'annual meeting this should be the chairman or another committee member.

SHAREHOLDERS' RIGHT DIRECTIVE

The present memorandum also describes the main provisions of Legislative Decree number 27 dated January 27, 2010, for the "*Implementation of directive 2007/36/EC, regarding the exercise of some rights by the shareholders of listed companies*" whose novelties aim, on one hand, at helping the shareholders' increased participation, also from the viewpoint of institutional investors, in the listed companies' meetings, and, on the other hand, at guaranteeing more information to the shareholders, above all in the pre-meeting stage.

Then, also specific rules are provided for the benefit of minority shareholders, above all on the call of the meeting and the integration of the meeting's agenda, and also the request for information about the composition of the issuing company's shareholders.

The Decree, which changes some provisions of the civil code and Legislative Decree number 58 dated February 24, 1998 ("Testo unico della finanza" or "Tuf"), has introduced remarkable novelties, particularly in connection with:

a) the identification – by establishing a record date – of the subjects authorized to participate and cast their vote in the meeting;

b) the issuing company's obligation to update the register of shareholders and the shareholder's right to get, upon request, a record of such a register, including on a computer medium;

c) the terms and procedures to call the meeting and the information to the shareholders in the pre-meeting stage, including the minority shareholders' right to ask for the integration of the agenda;

d) the procedures to participate in the meeting and to carry out the meeting, including the possibility that the meeting be held in one call and a new resolution quorum be established for the extraordinary meeting for any calls after the second call;

e) the regulations of representation in the meeting and the proxy solicitation;

f) asking the brokers, on one's own initiative or upon the minority shareholders' request, the shareholders' identification details and the number of shares registered in the accounts under their name;

g) allowing the shareholders to participate in the meeting not only by telecommunication media and to cast votes by mail, but also to cast votes by electronic media;

h) excluding the resort to calls subsequent to the first call, and therefore holding the meeting with one call;

i) excluding that the companies appoint, for every meeting, a subject to which the shareholders may give a proxy with voting instructions on the proposals in the agenda; and

j) guaranteeing some shareholders the "fidelity dividend", establishing the period, in any case not less than one year, during which if each share is kept uninterruptedly by the same shareholder the latter is entitled to have an increase in the dividend provided in the company's bylaws, which in any case cannot exceed 10 percent of the dividend distributed to the other shares.

The Decree's final provisions establish that the new regulations will apply to the meetings whose notice is published after **October 31, 2010**, and the regulations and implementation provisions established by the regulations are adopted within six months after the Decree's effective date.

In particular, for Italian companies that resort to the risk capital market, we list hereinafter the main changes, particularly in connection with the rules of the shareholders' participation in the vote. In particular:

NOTICE OF MEETING AND PRE-MEETING INFORMATION

The notice of meeting must be published on the company's website and by the other methods provided for in Consob's regulations.

NOTICE PUBLICATION TERMS

30 days – standard term for listed companies;
15 days – short term for the call of meeting in case of takeover bid or switch;
21 days – term for meetings called for the reduction of the company's capital because of losses or the appointment of official receivers;
40 days – term for meetings called for the election of the members of the administrative and control boards.

The lists for the election of directors must be filed not later than the **25th day before** the meeting and published at least **21 days** before the meeting.

CONTENT OF THE NOTICE

In addition to the indication of the day, time and place of the meeting as well as the issues in the agenda:
- a description of the procedures required to participate and vote at the meeting, including the information regarding: (i) the right to ask questions during the meeting, (ii) the procedure to cast the vote by proxy, (iii) the identity of the subject that may have been identified by the company to give the proxy, and (iv) the procedures for the vote by mail or by electronic media;
- the methods and terms to find the full text of the resolution proposals and the

documents submitted to the meeting;
- the website address.

PUBLICATION OF THE DOCUMENTATION

By the term of publication of the notice of meeting, the Board puts a report on the issues in the agenda at the public's disposal in the company's headquarters, on the company's website, and according to the methods set forth in Consob's regulations, by the term of publication of the notice of meeting.

When the meeting is called on request of the shareholders according to article 2367 of the civil code, the report on the proposals regarding the issues to be dealt with is prepared by those shareholders who ask for the meeting to be called.

Additional documentation, information and forms are published in the company's Internet website by the notice of meeting publication term.

INTEGRATION OF THE AGENDA

The shareholders who, also jointly, hold at least one fortieth of the company's capital may ask for the integration of the agenda. Such an application must be submitted by 10 days after the publication of the notice of meeting – or five days after the notice in case of a takeover bid – for the integration of the list of issues to be dealt with, and the request must indicate the additional issues proposed.

The above-mentioned integrations to the agenda must be published at least 15 days (instead of 10 days) before the day established for the meeting, and the time is reduced to 7 days for the meeting in case of a takeover bid.

The shareholders who require the integration of the agenda must draw up a report about it: this report must be delivered, within the deadline for submitting the application for integration, to the directors, who put it at the public's disposal together, in case, with their observations.

The integration of the agenda is not allowed for issues on which the meeting resolves, according to the law, after the directors' proposal or based on a project or a report prepared by them.

RIGHT TO ASK QUESTIONS BEFORE THE MEETING

The shareholders may ask questions connected with the subjects in the agenda also

before the meeting. The questions received before the meeting are answered during the meeting at latest. The company may give one answer to the questions having the same content.

EXERTISE OF VOTING RIGTHS AT THE MEETING - RECORD DATE

The authorization to participate in the meeting and to exercise the right to vote is certified by a notice to the issuer, made by the broker/custodian bank, according to its accounting records, to the subject who has the right to vote.

The notice is carried out for listed companies and companies authorized to operate in the multilateral trading systems based on the accounting records at the end of the accounting day of the seventh day of open market before the date of the first (or only) call of meeting at the time corresponding to the end of the accounting day. The same rule points out that the following records are irrelevant for the purpose of the authorization to exercise the right to vote ("**Record Date**").

The issuer shall receive the communications indicated in the above paragraph by the end of the third day of open market before the date established for the first call of meeting, or any term otherwise established by Consob, in agreement with the Bank of Italy by regulation, or by the subsequent term established by the companies' articles of incorporation. The authorization to participate and vote is necessary whenever the issuer has received the communications beyond the terms indicated in the present clause, provided it is before the beginning of the one-call meeting.

APPOINTMENT OF DIRECTORS BY THE SHAREHOLDERS – PROXY ACCESS- (ARTICLE 147 OF THE TUF)

In order to protect the minority shareholders' interests, it is mandatory for all Italian publicly traded companies to reserve some board seats for candidates who have been presented by shareholders owing a minority share capital.

All Italian publicly traded companies have to provide for members of the Board of Directors (or Supervisory Board) or Board of Statutory Auditors to be elected on the basis of the slates of candidates presented by shareholders, defining the minimum participation shares required for their presentation. At least, one or more member/s of the Board of Directors (or Supervisory Board) and the Board of Statutory Auditors must be elected from the slate which did not result first by the number of votes.

Therefore, Institutional Investor are now entitled to present "minority" slates for the Board of Directors (or Supervisory Board) or Board of Statutory Auditors' election.

Without prejudice to the lower percentage provided for by the bylaws, the shareholding required for the submission of the slates of candidates for the election of the board of

the Board of Directors (or Supervisory Board) or Board of Statutory Auditors shall be as follows:
a) in the amount of 0.5% of the share capital for companies whose market capitalization is greater than twenty billion euros;
b) in the amount of 1% of the share capital for companies whose market capitalization is greater than five billion euros and less than or equal to twenty billion euros;
c) in the amount of 1.5% of the share capital for companies whose market capitalization is greater than two billion and five hundred million euros and less than or equal to five billion euros;
d) in the amount of 2% of the share capital for companies whose market capitalization is greater than one billion euros and less than or equal to two billion and five hundred million euros;
e) in the amount of 2.5% of the share capital for companies whose market capitalization is greater than five hundred million euros and less than or equal to one billion euros;
Without prejudice to the lower amount provided for in the bylaws, the shareholding shall amount to 4.5% of the share capital for companies whose market capitalization is less than or equal to five hundred million euros when all the following conditions are satisfied, as at the financial year end:
- the float is greater than 25%;
- there are no shareholders or groups of shareholders participating in a shareholder agreement as provided for in Article 122 of the Consolidated Law who possess the majority of the votes exercisable in the shareholders' resolutions involving the appointment of the members of the administrative bodies.
When the above conditions are not satisfied the shareholding shall amount, without prejudice to the lower percentage provided for in the bylaws, to 2.5% of the share capital.
Consob shall publish, within thirty days of the financial year end, the shareholding required for the submission of the lists of candidates for the election of the administrative and control bodies, including by electronic means of information dissemination.
The notice of the shareholders' meeting called to approve the appointment of the Board of Director (or Supervisory Board) or the Board of Statutory Auditors shall specify the shareholding required for the submission of the lists. Shareholders will be invited to submit slates in which they must be listed candidates for the election of the Board of Director (or Supervisory Board) or the Board of Statutory Auditors.

Each slate can be filed by one or more shareholders. Each Shareholder may file or contribute to file only one slate It is a common practice but not compulsory for the shareholder to vote for the slate presented by him. The presentation of a slate by group of shareholders does not require and/or imply and/or presuppose any shareholders agreement among them and/or require any filing and/or reporting to Consob or other authorities, provided those shareholders do not formally commit themselves to vote for that slate and/or the other resolution/s to be approved in the same shareholders' meeting. Provided that, during the election, each shareholder can only vote for one slate, similarly, shareholders participating in a shareholder agreement involving the shares of the issuer may not submit or vote for more than one list, including through nominees or trust companies.
The slates of candidates, signed by those who present them, must be filed usually at the

registered office of the company at least 25 days prior to the fixed for the meeting on first call.
The slates shall contain the names of one or more candidates, for the election of the Board of Directors (or Supervisory Board) or the Board of Statutory Auditors. The name of the candidates must be listed on the slates in numerical sequence. Each candidate can be listed only on one slate. The shareholders must file, together with each slate written statements by which each candidate accepts to stand for election and attests, on his/her responsibility, that there is nothing that would bar the candidate's election or make the candidate unsuitable to hold office and that he/she has met the requirements for election to the respective office. Each candidate must file together with his/her statement a curriculum vitae listing his/her personal professional data and, if applicable, showing his/her suitability for being classified as an independent Director.
The slates submitted without compliance with the above arrangements are considered as not submitted.
The issuer shall make the list of candidates submitted by the shareholders available to the other shareholders at its registered office and on its internet site, without delay and in any case at least ten days prior to the date set for the shareholders' meeting called to approve the appointment of the Board of Directors (or Supervisory Board) or the Board of Statutory Auditors together with the relevant information and documentation specified above.
The candidates at the top of the list who has obtained the highest number of votes from amongst the lists submitted and voted by shareholders who are not affiliated to the shareholders shall be elected in accordance to the above provisions and the ones provided in the bylaws.
Basically, in order to present minority slates for the Board of Directors (or Supervisory Board) or the Board of Statutory Auditors, the institutional investors need (i) to instruct the relevant custodian bank to issue the shareholding ownership certification/notification, and (ii) to file it and the other relevant documentation required, duly signed, to the issuer.

VOTE BY PROXY - ARTICLE 2372 OF THE CIVIL CODE

Every shareholder has the right to appoint an individual or a legal entity as the representative responsible for participating and voting in his name in the meeting. The representative enjoys the same rights to participate and ask questions in the meeting that would be enjoyed by the represented shareholder.

Those who have the right to vote may be represented in the meeting unless, in companies that do not resort to the risk capital market and in Cooperatives, the articles of incorporation establish otherwise. The proxy must be in writing and the company must be keep the relevant documents.

The proxy cannot be issued with the representative's name in blank and can be always canceled in spite of any covenants otherwise. The representative may be only replaced by the person who is explicitly indicated in the proxy.

In the companies that resort to the risk capital market, the proxy can be given for

individual meetings only, with effects also for subsequent calls, unless it is a general power or a power given by a company, association, foundation or another corporate entity or institution to one of its employees.

If the proxy is given to a company, association, foundation or corporate entity or institution, it can be only given to one of their employees or collaborators.

LISTED COMPANIES (OTHER THAN COOPERATIVES) – VOTE BY PROXY AT THE MEETING (ARTICLE 135 NONIES OF THE TUF)

Notwithstanding the above provisions, the subject who has the right to vote may delegate a different representative for each one of the accounts, destined to record the movements of financial instruments, for which the required communication has been carried out.

Notwithstanding the above provision, if the subject indicated as the shareholder in the communication provided for in article 83-sexies TUF, also by means of fiduciary registrations, on behalf of its customers, it may indicate as a representative the subjects on whose behalf he is acting or one or several third parties appointed by those subjects.

If the proxy includes this power, the proxy holder may be replaced by a subject of his choice, subject to the represented party's power to indicate one or several substitutes.

The representative may deliver or transmit a copy of the proxy in place of the original, stating under his responsibility that the proxy is a true copy of the original and the appointor's identity. The representative keeps the original of the proxy and, in case, keeps track of the instructions to vote received by him for one year after the end of the meeting.

CONFLICT OF INTEREST OF THE REPRESENTATIVE AND THE SUBSTITUTES (ARTICLE 135 DECIES OF THE TUF)

As for the assignment of a proxy to a representative in a position of conflict of interest, the assignment is allowed provided the representative notifies in writing to the shareholder the reasons of this conflict and provided there are specific instructions to vote for each resolution; the representative will have the onus probandi that he has notified the shareholder of the circumstances originating the conflict of interest.

The replacement of the representative with a substitute in a position of_conflict of interest is only allowed when the substitute has been indicated by the shareholder.

There is, in any case, a conflict of interest whenever the representative or the substitute:
a) controls, also jointly, the company or is controlled by it, also jointly, or is subject to a joint control with the company;
b) is linked to or exercises a strong influence on the company;
c) is a member of the administrative or control board of the company or of the subjects indicated under letters *a*) and *b*);
d) is an employee or an auditor of the company or the subjects indicated under letter *a*);
e) is the spouse, relative or collaterals within the fourth degree of the subjects indicated under letters *a*) through *e*);
f) is linked to the company or the subjects indicated under letters *a*), *b*), *e*) and *e*) by non-subordinate or subordinate employment relations or other property relations that may compromise his independence.

The resolution approved by the decisive vote of those who have, on their own behalf or on third parties' behalf, an interest in conflict with the company's interest, can be challenged according to article 2377 of the civil code whenever it may harm the company.

REPRESENTATIVE APPOINTED BY THE LISTED COMPANY (ARTICLE 135 UNDECIES OF THE TUF))

The implementation regulations add the figure of the representative appointed by a listed company. They provide that, except for any indication otherwise in the articles of incorporation, the company indicates a subject, who in principle should be independent, to whom any shareholder may give a proxy to vote, even for just some of the resolution proposals in the agenda. The proxy is only valid for the proposals on which instructions to vote have been given; the assignment of the proxy entails no expenses for the shareholder. The representative is also obliged to notify any interest he may have on his own behalf or on third parties' behalf in connection with the resolution proposals in the agenda. The contents of the proxy form that is made available by the company will be established according to the Consob's regulations.

Unless the articles of incorporation provide otherwise, the listed companies appoint for each meeting a subject to whom the shareholders may give, by the second day of open market before the date established for the first or only call of meeting, a proxy with instructions to vote on all or some of the proposals in the agenda. The proxy is only effective for the proposals on which instructions to vote have been given.

The subject appointed as the representative is obliged to notify any interest he may have on his own behalf or on third parties' behalf in connection with the resolution proposals in the agenda. He also keeps the content of the instructions to vote received confidential until the beginning of the scrutiny, except for the option to communicate this information to its employees and assistants, who are subject to the same confidentiality obligation.

By the regulations, Consob may establish those cases in which the representative who is not in any of the positions covered by article 135-*decies* may cast a vote different from

that indicated in the instructions.

PROXY SOLICITATION (ARTICLE 136 OF THE TUF)

A request to give proxies addressed to over 200 shareholders on specific vote proposals or accompanied by recommendations, statements or other indications suitable to influence the vote is called "solicitation" (article 136, clause 1 of the TUF).

The promoter carries out the solicitation by spreading a statement and a proxy form, therefore without the need for the broker as provided for by the current legislation. The vote corresponding to the shares for which the proxy has been given is cast by the promoter, who may be only replaced by the explicitly indicated subject.

PARTICIPATION IN THE MEETING BY ELECTRONIC MEANS (ARTICLE 127 OF THE TUF)

The articles of incorporation may allow also these companies to participate in the meeting by telecommunication means or to cast their vote by mail or electronic means. In this case, Consob establishes by regulations the procedure to vote and to carry out the meeting.

STATUTORY ADJUSTMENTS

As far as the statutory adjustments are concerned, the Decree does not indicate a specific date for adjusting the articles of incorporation of the listed companies to the new provisions of the law. However, concerned companies may evaluate the suitable statutory adjustments on the first occasion after the date when the Decree becomes effective and, then, reasonably, in anticipation of the meeting to be called for the approval of the financial statements of the year that will close on December 31, 2010.

The concerned companies, in fact, may evaluate statutory adjustments for two types of reasons. On one hand, with the purpose of adjusting the articles of incorporation to the new provisions of the law, avoiding any construction conflicts or doubts, particularly where the articles of incorporation quote the current provisions of the law instead of generally referring to them, for instance on the following issues:

(i) procedures and terms to call the meeting (where presently the publication in the Official Gazette or in at least one newspaper is required);

(ii) call on the minority shareholders' request (where presently the request must be submitted by at least one tenth of the company's capital); and

(iii) new resolution quorum in the extraordinary meeting for the calls subsequent to the second call (which is not presently provided for, since just the quorum for properly convening is provided for).

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