



## **The Procedure for Related-Party Transactions**

**Approved by the Board of Directors  
of Pirelli & C. S.p.A. on November 3, 2010**

## INDEX

### Procedure for Related-Party Transactions

ARTICLE 1 (LEGAL SOURCES)
ARTICLE 2 (SCOPE)
ARTICLE 3 (DEFINITION OF RELATED PARTY)
ARTICLE 4 (SIGNIFICANCE THRESHOLDS)
ARTICLE 5 (EXEMPTIONS)
ARTICLE 6 (ORDINARY TRANSACTIONS)
ARTICLE 7 (TERMS EQUIVALENT TO MARKET OR STANDARD TERMS)
ARTICLE 8 (OPC COMMITTEE)
ARTICLE 9 (OTHER DEFINITIONS)
ARTICLE 10 (DATABASE OF RELATED PARTIES)
ARTICLE 11 (VERIFICATION OF THE APPLICABILITY OF THE PROCEDURE)
ARTICLE 12 (OPCs OF GREAT SIGNIFICANCE)
ARTICLE 13 (OPCs OF MINOR SIGNIFICANCE)
ARTICLE 14 (DIRECTORS' REMUNERATION)
ARTICLE 15 (FRAMEWORK RESOLUTIONS)
ARTICLE 16 (TRANSACTIONS IN URGENT CASES)
ARTICLE 17 (AMENDMENTS TO THIS PROCEDURE)
ARTICLE 18 (INFORMATION TO THE PUBLIC ABOUT OPCs)
ARTICLE 19 (ALTERNATIVE SYSTEMS)
ARTICLE 20 (MONITORING OF THE BOARD OF AUDITORS)
ARTICLE 21 (COORDINATION WITH THE PROCEDURES OF THE DESIGNATED MANAGER)
ARTICLE 22 (ENTRY INTO FORCE)
ANNEX 1 - TRANSACTIONS OF GREAT SIGNIFICANCE

## Procedure for Related-Party Transactions

### Article 1 (Legal sources)

1.1 This procedure (hereinafter referred to as "**Procedure**") is adopted pursuant to and for the purposes of Article 2391-*bis* of the Civil Code and of the "Regulation of related-party transactions", adopted by Consob Resolution No. 17221 of March 12, 2010, as amended by Consob Resolution No. 17389 of June 23, 2010 (hereinafter referred to as "**OPC Regulation**"), taking into account the guidelines and clarifications provided by Consob in its communication No. DEM/10078683 of September 24, 2010.

### Article 2 (Scope)

2.1. This Procedure establishes the rules which Pirelli & C. S.p.A. (hereinafter referred to as "**Pirelli**" or the "**Company**") and its subsidiaries adhere to when entering into related-party transactions.

2.2. For the purposes of this Procedure, a related-party transaction (hereinafter referred to as "**OPC**") is any transfer of resources, services or acceptance of obligations between related parties, regardless of whether any compensation has been agreed upon.

### Article 3 (Definition of related party)

3.1 For the purposes of this Procedure and in light of the ownership structure of Pirelli, a party is related<sup>1</sup> (hereinafter referred to as "**Related Party**") to the Company when:

---

<sup>1</sup> The Company, having evaluated its ownership structure, has deemed that the following participants in the *Sindacato di blocco azioni Pirelli & C.* (the "Shareholders' Agreement") fall within the notion of 'related party': Camfin S.p.A. group, "Moratti" group and Mediobanca S.p.A. group. Although the others participants in the Shareholders' Agreement, namely Edizione S.r.l., Fondiaria Sai S.p.A., Allianz S.p.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A., Sinpar S.p.A., cannot be classified as Pirelli related parties, the Company has deemed it appropriate to apply this Procedure to such parties and to their subsidiaries.

- (a) either directly, or indirectly, also through subsidiaries, trustees or intermediaries:
  - (i) it controls Pirelli, is controlled thereby or is subject to joint control;
  - (ii) it holds a stake in Pirelli that is such as to allow it to exercise significant influence on the latter;
  - (iii) it exercises control on Pirelli, also jointly with other parties;
- (b) it is an affiliate of Pirelli;
- (c) it is a joint venture which Pirelli participates in;
- (d) it is a Director, Auditor or one of the Managers with strategic responsibilities of Pirelli or of a parent company thereof, or the manager responsible for drafting the Company's accounting and corporate records (the "**Designated Manager**");
- (e) it is a close relative of a subject referred to in subparagraphs (a) or (d);
- (f) it is an entity in which a subject referred to in subparagraphs (d) or (e) exercises control, joint control or significant influence, or directly or indirectly holds a significant share which is not less 20% of voting rights;
- (g) it is a supplementary pension fund, whether collective or individual, Italian or foreign, set up in favour of the employees of the Company or of any other related party.

3.2 For the above purposes, the notions of "control", "joint control", "significant influence", "subsidiary", "affiliate" and "joint venture", are the ones reported in Annex 1 to the OPC Regulation.

In particular the notions of "Managers with strategic responsibilities" and "close relatives", are the following:

**Managers with strategic responsibilities:** these are the Directors (whether executive or otherwise) of the Company as well as the subjects identified by the Board of Directors of the Company who have the power and responsibility, directly or indirectly, for planning, directing and controlling the business of the Company and/or its subsidiaries,

**Close relatives:** The close relatives of a subject are family members who may be expected to influence or be influenced by the subject concerned in their dealings with the company.

It is assumed that these include:

- (a) the spouse not legally separated and the cohabitant;
- (b) children and dependents of the subject, of the spouse not legally separated or of the cohabitant.

#### **Article 4 (Significance thresholds)**

4.1 OPCs of great significance (hereinafter referred to as "**OPCs of Great Significance**") are transactions that exceed the thresholds specified in Annex 1.

4.2 OPCs of little value (hereinafter referred to as "**OPCs of Little Value**") are transactions whose value is no more than Euro 150,000.

4.3 OPCs of minor significance (hereinafter referred to as "**OPCs of Minor Significance**") are related-party transactions other than OPCs of Great Significance and OPCs of Little Value.

#### **Article 5 (Exemptions)**

5.1 This Procedure does not apply to OPCs of Little Value.

5.2 This Procedure does not apply, except as specified in paragraph 3 of this article:

- (a) to transactions carried out by Pirelli with its subsidiaries, or to transactions between Pirelli subsidiaries;
- (b) to transactions carried out by Pirelli or its subsidiaries with Pirelli affiliates;
- (c) to Ordinary transactions (as defined in article 6 below) entered into at terms that are equivalent to market or standard terms (as defined in article 7 below), without prejudice to the disclosure obligations laid down in Article 13, letter c), of the OPC Regulation;

5.3 The Procedure is applied to the cases outlined in Article 5.2 sub (a) and (b) where the counterparties to the transaction are Pirelli subsidiaries or affiliates in

which other Pirelli related parties have a significant interest, this meaning, by mere way of example, a significant influence exercised by the related party that is the counterparty to the transaction. A significant interest arises also where one or more Directors or other Managers with strategic responsibilities of Pirelli, benefit from incentive plans based on financial instruments (or variable remuneration plans) that depend on the results achieved by the subsidiaries with which the transaction is carried out. In this case, the assessment of a significant interest should be made in light of the weight of the performance-dependent remuneration (including the aforementioned incentive plans) when compared to the total remuneration of the Director or Manager with strategic responsibilities.

#### **Article 6 (Ordinary transactions)**

6.1 Ordinary transactions ("Ordinary transactions") are transactions that fall under the ordinary running of the operational business, and of the financial business connected thereto, carried out by Pirelli or its subsidiaries, as well as all other management activities that cannot be classified as Investments or Financial Activities (hereinafter referred to as "**Characteristic Activity**"). By way of example, Ordinary transactions include, provided they are implemented in accordance with the corporate procedures established therefor, the transactions that, by reason of their subject-matter, recurrence, extent, terms and conditions, nature of the counterparty, fall under the ordinary running of the Company's Characteristic Activity, and in particular:

- the marketing and production of goods, works and services within the scope of the Company's Characteristic Activity;
- the purchase of goods, works and services associated with the Characteristic Activity and/or necessary for the operation, maintenance and preservation of the technological adequacy of the industrial infrastructures or of the real estate assets used for the Characteristic Activity and in general for the operation of the Company's organization

in its current dimensions and characteristics, unless this amounts to an Investment or a Financial Activity;

- the acquisition and management of financial resources, with any ensuing, ancillary hedging activities related to performance of the Characteristic Activity, excluding all activities classified as Investments or Financial Activities.
- the management of shareholdings, in particular:
  - o the purchase and sale of shareholdings;
  - o the subscription of capital increases, except for those excluding pre-emption rights,

unless this is qualified as an Investment or as a Financial Activity.

6.2 For the purposes of this Procedure, an **Investment** is: (i) any transaction which results in the purchase or sale of fixed assets (e.g. the buying and selling of property, plants and machinery or intangible assets), except for "non-current" assets that are held for sale, (ii) any financial investment which does not fall under the so-called "cash equivalents".

6.3 For the purposes of this Procedure, a **Financial Activity** is any activity that brings changes: (i) to the extent and composition of the equity paid; (ii) to any funding received by the Company that is not connected to its Characteristic Activity.

## **Article 7 (Terms equivalent to market or standard terms)**

7.1 Terms are equivalent to market or standard terms where they are identical to those usually applied to Pirelli non-related parties for corresponding transactions (in terms of nature, extent or risk), or where they derive from public and/or regulated tariffs or fixed prices.

7.2 Market terms are also those applied pursuant to a competitive purchase/sale process, provided this has been conducted in accordance with the Company's procedures established for this purpose, consistent with the principles of internal audit, and is properly documented and tracked.

## **Article 8 (OPC Committee)**

8.1 The Board of Directors of the Company shall establish a Committee for the OPCs (hereinafter referred to as the "**OPC Committee**") made up exclusively of and by at least three Independent Directors.

8.2 The OPC Committee is deemed established even if the Board of Directors has given its powers to an already existing committee, provided this is made up exclusively of and by at least three Independent Directors.

8.3 If at least three Independent Directors are not in office, article 19 below applies.

8.4 The Board of Auditors is invited to attend the OPC Committee meetings.

8.5 The Board of Directors may appoint Substitute Independent Directors, indicating their order.

8.6 Such Substitute Independent Directors, in the indicated order, provisionally replace the regular members of the OPC Committee in case of the assessment of OPCs where the counterparty to the Transaction is one or more regular members of the OPC Committee (or a related party through them). Unless it has provided therefor as under paragraph 5 above, the Board of Directors shall supplement the Committee, from time to time and on a provisional basis, for the assessment of OPCs where the counterparty to the Transaction is one or more members of the OPC Committee.

8.7 In case of termination of office, for any reason, of a regular member of the OPC Committee or in case the latter does not longer satisfy the requisites of independence required by this Procedure, the Substitute Independent Directors, in the indicated order, take over and remain in office until the first meeting of the Board of Directors called to decide upon supplementing the OPC Committee.

## **Article 9 (Other definitions)**

For the purposes of this Procedure:

**Independent Directors** are the Directors of Pirelli satisfying the requisites of independence laid down in the Corporate Governance Code of the Italian

Stock Exchange, which Pirelli has declared to adhere to. In particular, Independent Directors are those judged as such by the Board of Directors of the Company at the time of their appointment and, thereafter, at least on occasion of the meeting of the Board of Directors that approves the Company's Annual Report on Corporate Governance and Ownership Structure.

**The OPC Managerial Committee** is the Committee chaired by the Group General Counsel and which includes the Secretary of the Board of Directors, the Finance Director, the Director of Group Management Control and the Investor Relations Director, called upon to review questions of interpretation and/or application and to evaluate the conditions for assignment of the review of an OPC to (i) the OPC Committee if it is an OPC of Minor Significance, or to (ii) the OPC Committee and the Board of Directors if it is an OPC of Great Significance.

**The Lead Independent Director** is the Independent Director designated as such, who is a point of reference and coordinates the requests and contributions of non-executive Directors and, in particular, of Independent Directors, and has the power to convene meetings of Independent Directors only.

**Managers** are the managers of Business Units/Central Functions/Operating Activities.

**Top executives** are the Managers who report directly to the President of the Company.

#### **Article 10 (Database of Related Parties)**

10.1 The Related Parties of Pirelli are included and arranged in a special database (hereinafter referred to as "**Database**") which the Company maintains on the basis of information in its possession and of the statements received from direct related parties.

10.2 Parent companies, Directors, Auditors, Managers with strategic responsibilities, subjects exercising significant influence on Pirelli and other direct related parties under this Procedure, are required to submit a statement

with which they provide information necessary for the identification of parties that are related through them.

10.3 The Database is updated at least every three months. In particular, the Secretary of the Board of Directors collects the statements made by the related parties within the month following the close of each quarter, and forwards them to the Finance Department in charge of updating the Database and to the Designated Manager.

10.4 Without prejudice to paragraph 3 of this Article, direct related parties shall promptly give notice to the Secretary of the Board of Directors of any new parties that are related through them.

10.5 The OPC Committee supervises the proper updating of the Database, even through periodic audits carried out with the assistance of the Company's Internal Audit office.

#### **Article 11 (Verification of the applicability of the Procedure)**

11.1 Before engaging in a transaction, the Managers of the Company and of its subsidiaries verify whether the counterparty is a related party.

11.2. If it is found that the counterparty to the transaction is a related party and that the transaction does not fall within the exemptions referred to in Article 5, the Manager refrains from pursuing the investigation and/or negotiations and informs a Top Executive of the Company or, in the case of Italian and foreign subsidiaries, the Chief Financial Officer (or in his absence, the Chief Executive Officer) of the latter companies, who in turn informs the Finance Director of Pirelli.

11.3 Upon receipt of such notification, the Top Executive of the Company or the Finance Director of Pirelli give notice thereof to the General Counsel and to the Secretary of the Board of Directors who - if necessary by convening the OPC Managerial Committee and sharing their evaluation with the Lead Independent Director - provide instructions as to the continuance of the transaction in accordance with article 12 (OPCs of Great Significance) or 13 (OPCs of Minor Significance) of this Procedure.

11.4 The activities described in the preceding paragraphs are adequately documented and made traceable.

### **Article 12 (OPCs of Great Significance)**

12.1 In case of OPCs of Great Significance, the Group General Counsel informs without delay the Chairman of the Board of Directors and the Chairman of the OPC Committee.

12.2 The Secretary of the Board of Directors ensures a full and prompt flow of information between those responsible for conducting the negotiations and the OPC Committee.

In particular, prior to the commencement of negotiations for an OPC of Great Significance, the Committee must receive a report indicating the main elements of the transaction, and subsequently, during the negotiations, a report sent on a regular basis, though at least quarterly, with an indication of any significant deviations from the previous report.

The OPC Committee is informed of the eventual final termination of all negotiations.

12.3 The OPC Committee, or the Independent Director appointed therefor by the OPC Committee, may request information from and provide comments to the persons responsible for conducting the negotiations or investigating the transaction.

12.4 On completion of the investigation, the Chairman of the OPC Committee, also acting through the Secretary of the Board of Directors, convenes a meeting of the OPC Committee in order for the latter to give its reasoned opinion on the interest of the Company in completing the transaction, as well as on the convenience and substantial fairness of its conditions.

12.5 The OPC Committee may be assisted, at the Company's cost, by one or more independent experts of its choice.

12.6 The opinion given by the OPC Committee is forwarded, through the Secretary of the Board of Directors, to the Chairman of the Board of Directors,

who includes the OPC of Great Significance in the agenda of the Board of Directors of Pirelli, which has the power to decide thereon.

12.7 The Board of Directors, which has the exclusive power to approve OPCs of Great Significance, approves the transaction only subject to the prior favorable opinion given by the OPC Committee.

In order for such opinion to be considered favorable, it must fully approve the transaction, unless otherwise stated in the said opinion. If the opinion is defined as favorable and thus allows for the transaction to be concluded despite the presence of some elements of disagreement, the opinion gives the reasons why the latter elements do not affect the overall assessment of the Company's interest in the transaction and the substantial fairness of its conditions. A positive opinion issued by the OPC Committee requiring, however, the OPC to be concluded or performed in accordance with one or more indications, will be deemed favorable for the purposes of this Procedure, provided the conditions imposed are actually complied with; in this case, evidence of compliance with such conditions is provided in the disclosure document regarding the execution of transactions, to be given to the management or audit body.

12.8 In relation to OPCs of Great Significance that are submitted to its approval, the Board of Directors receives reasonably in advance adequate information regarding the transaction itself, the nature of the relation with related parties, the terms of execution of the transaction, the conditions (including economic ones) for its implementation, the evaluation process that has been followed and any possible risks for the Company, in addition to the opinion given by the OPC Committee.

12.9 Once the transaction has been approved by the Board of Directors, the Secretary of the Board of Directors gives notice thereof the Top Executive in charge of the transaction, or to the Finance Director in case of transactions that must be performed by subsidiaries of Pirelli. If the transaction is not approved by the Board of Directors or in case of a negative opinion given by the OPC Committee, the Company and/or its subsidiaries refrain from engaging in or continuing negotiations.

12.10 Once the OPC of Great Significance, to be carried out even by subsidiaries of Pirelli, is approved, the Company prepares a disclosure document to be made available to the public as and when specified in the OPC Regulation.

12.11 When an OPC of Great Significance falls within the powers of the General Assembly or must be authorized thereby, either by law or according to the Articles of Association, this article applies to the negotiation phase, the investigation phase and the approval phase of the proposed resolution to be submitted to the Assembly.

### **Article 13 (OPCs of Minor Significance)**

13.1 In the case of an OPC of Minor Significance, the Group General Counsel informs the Chairman of the OPC Committee who, also acting through the Secretary of the Board of Directors, convenes a meeting of the OPC Committee in order for the latter to give its reasoned opinion on the interest of the Company in completing the transaction, as well as on the convenience and substantial fairness of its conditions.

13.2 The Top Executive of the Company, or the Finance Director in the case of transactions to be carried out by subsidiaries, provides - at the same time as the reporting of the proposed OPC of Minor Significance - an analytical report containing a description of the transaction, the indication of the counterparty, the main conditions of the OPC (including economic ones) and the reasons for the interest of the Company or its subsidiaries in completing the OPC and for the convenience of its conditions.

13.3 Upon convening the meeting, and in any case reasonably in advance before the meeting, the Secretary of the Board of Directors forwards the documentation containing appropriate and full information on the OPC to the OPC Committee. When the conditions of the OPC are defined as equivalent to market or standard conditions, the documentation submitted to the OPC Committee must contain objective elements evidencing this.

13.4 The Committee may be assisted, at the Company's cost, by one or more independent experts of its choice, subject to the expenditure limit of 2% of the value of the OPC of Minor Significance and not exceeding Euro 150,000, without prejudice to the OPC Committee's right to exceed said limit where authorized by the Chairman of the Board of Directors.

13.5 Once the OPC of Minor Significance has been examined, the OPC Committee gives its opinion on the transaction. The minutes of approval of the transaction must give adequate reasons for the Company's interest in completing the transaction and for the convenience and substantial fairness of its conditions.

In order for such opinion to be considered favorable, it must fully approve the transaction, unless otherwise stated in the said opinion. If the opinion is defined as favorable and thus allows for the transaction to be concluded despite the presence of some elements of disagreement, the opinion gives the reasons why the latter elements do not affect the overall assessment of the Company's interest in the transaction and the substantial fairness of its conditions. A positive opinion issued by the OPC Committee requiring, however, the OPC to be concluded or performed in accordance with one or more indications, will be deemed favorable for the purposes of this Procedure, provided the conditions imposed are actually complied with; in this case, evidence of compliance with such conditions is provided in the disclosure document regarding the execution of transactions, to be given to the management or audit body.

13.6 In the case of a favorable opinion, the Secretary of the Board of Directors gives notice thereof to the Top Executive in charge of the transaction or to the Finance Director, who in turn informs the Chief Financial Officer of the Pirelli subsidiary.

13.7 On a quarterly basis, the Finance Director provides, through the Secretary of the Board, a report to the Board of Directors and the Board of Auditors on the implementation of OPCs of Minor Significance put in place by the Company or its subsidiaries.

13.8 In the event of a negative opinion given by the OPC Committee, the Secretary of the Board of Directors gives notice thereof to the Top Executive of the Company in charge of the transaction, or to the Finance Director, and the Company and/or its subsidiaries shall refrain from engaging in/continuing negotiations.

13.9 When an OPC of Minor Significance falls within the powers of the General Assembly or must be authorized thereby, either by law or according to the Articles of Association, this article applies to the negotiation phase, the investigation phase and the approval phase of the proposed resolution to be submitted to the Assembly.

#### **Article 14 (Directors' Remuneration)**

14.1 This Procedure does not apply:

- a) to the shareholders' resolutions referred to in Article 2389, first paragraph, of the Civil Code, relating to fees payable to members of the Board of Directors and, if established, the Executive Committee, or to the resolutions relating to the remuneration of Directors holding special offices comprised within the total amount pre-determined by the Assembly under Article 2389, third paragraph, of the Civil Code. The provisions do not apply to the shareholders' resolutions referred to in Article 2402 of the Civil Code, relating to fees payable to members of the Board of Auditors;
- b) to compensation plans based on financial instruments approved by the Assembly under Article 114-bis of the Consolidated Act and any related executive transactions;
- c) to the resolutions, other than those referred to in subparagraph a), relating to the remuneration of Directors holding special offices and of other key managers with strategic responsibilities.

In particular, the rules of this Procedure do not apply to the case sub c), provided that:

- (i) the Company has adopted a remuneration policy including policies relating to agreements on the consensual termination of the relationship;

- (ii) a committee, made up exclusively of non-executive Directors, most of whom independent, was involved in defining such remuneration policy;
- (iii) a report setting out the remuneration policy was submitted to the Assembly's advisory vote;
- (iv) the remuneration granted is consistent with this policy.

#### **Article 15 (Framework resolutions)**

15.1. For certain categories of transactions, the Company may adopt framework resolutions related to a series of homogeneous transactions with given categories of Related Parties.

15.2. The adoption of framework resolutions may be proposed by the Chairman of the Board of Directors, the General Director, the Group General Counsel and the Finance Director who, when deeming it appropriate to take framework resolutions, draw up a proposal with express indication of (i) the type of transaction category for which the adoption of the framework resolution is requested; (ii) the related party or type of related party that is the counterparty to the transaction covered by the framework resolution, (iii) the duration of the effectiveness of the framework resolution, (iv) the maximum amount of the transactions expected to be implemented during the referenced period, (v) the reasons for the conditions of the framework resolution.

15.3 The framework resolution proposal is submitted to the Group General Counsel and to the Secretary of the Board of Directors who, after verifying the Great or Minor Significance of the framework resolution, submit the proposal to the Chairman of the OPC Committee for the appropriate resolutions of said committee at the terms and conditions of paragraphs 4 and 5 of this article.

15.4 Framework resolutions cannot be effective for more than one year, and must give evidence of the type of transactions included, the foreseeable maximum amount of such transactions to be implemented during the reference period, and the reasons for the conditions of the framework resolution.

15.5. Framework resolutions for transactions cumulatively exceeding 50 million euro, or if for a lower amount, exceeding the value of the thresholds

established in Annex 1 for the definition of OPCs of Great Significance ("**Framework Resolutions of Great Significance**"), are subject to prior approval by the Board of Directors, after the OPC Committee's favorable opinion, and to the other requirements related to OPCs of Great Significance, including the publication of the disclosure document required by the OPC Regulation. In the case of a negative opinion, the proposal is not submitted to the Board of Directors.

15.6. Framework resolutions for transactions whose value is cumulatively lower than that indicated in paragraph 5 ("**Framework Resolutions of Minor Significance**") are to be approved by the OPC Committee and are governed by the provisions that apply to OPCs of Minor Significance.

15.7. The Finance Department sends a quarterly report to the Board of Directors on the implementation of framework resolutions, on occasion of the Board of Directors' approval of the reports required under Article 154-ter of the Finance Consolidated Act.

15.8. The provisions of Articles 12 and 13 of this Procedure do not apply to individual transactions entered into by applying framework resolutions. The transactions entered into by applying a framework resolution that is covered by a published, disclosure document are not considered for accumulation purposes when determining the exceeding of the relative thresholds.

#### **Article 16 (Transactions in urgent cases) <sup>2</sup>**

16.1 In urgent cases, where a transaction is not within the powers of the Assembly and needs not be approved thereby, without prejudice to the obligation to give "information to the public about related-party transactions" as under Article 5 of the OPC Regulation, the transaction can be completed derogating from Article 12 and 13 of this Procedure provided:

- (i) the transaction to be carried out (a) falls within the powers of a Managing Director or of the Executive Committee, where established, and (b) the Chairman of the Board of Directors and the Lead

---

<sup>2</sup> This article will apply only following the implementation of the powers provided herein in the Company's Articles of Association.

Independent Director are notified of the urgent reasons for this transaction before it is completed. If completion of the transaction falls within the powers delegated to the Chairman or somehow it concerns him, the OPC is approved by the Board of Directors;

- (ii) such transactions are subsequently submitted to the non-binding resolution of the first General Assembly, without prejudice to their effectiveness;
- (iii) the Board of Directors prepares a report containing adequate explanation of such urgent reasons. Pursuant to Article 13, paragraph 6 c) of the OPC Regulation, the Board of Auditors reports to the Assembly on the existence of such urgent reasons;
- (iv) the reports of the Board of Directors and of the Board of Auditors referred to in paragraph (iii) above are made available to the public at least 21 days before the date of the Assembly at the Company's registered office, in accordance with the Issuers' Regulation;
- (v) no later than one day after the Assembly, the Company makes available to the public, in accordance with the Issuers' Regulation, specific information about the outcome of the vote, with particular regard to the number of total votes cast by non-related parties.

#### **Article 17 (Amendments to this Procedure)**

17.1 Any amendments to this Procedure are approved by the Board of Directors after hearing the OPC Committee; if the latter is no longer in office or there are not at least three Independent Directors, the alternative systems referred to in article 19 below will apply.

17.2 Periodically and at least every three years, the Board of Directors, after hearing the OPC Committee, decides whether to revise this Procedure, taking into account, among other things, any changes in the Company's ownership structure and the effectiveness of said Procedure.

### **Article 18 (Information to the Public about OPCs)**

18.1. The Company provides information to the public about OPCs at the terms and conditions specifically laid down in Articles 5 and 6 of the OPC Regulation.

### **Article 19 (Alternative systems)**

19.1. If at least three Independent Directors are not in office, any resolutions relating to amendments to this Procedure, OPCs of Great Significance and OPCs of Minor Significance, are approved only after receiving the favorable opinion of any Independent Directors present or, in their absence, the non-binding opinion of an independent expert.

19.2 If at least three Independent Directors are not in office, the duties and prerogatives assigned to the OPC Committee for the negotiation and investigation stage of OPCs of Great Significance are attributed to one or more non-related Directors who may be present, or to an independent expert.

### **Article 20 (Monitoring of the Board of Auditors)**

20.1 The Board of Auditors checks that this Procedure and its amendments conform to the OPC Regulation, and monitors compliance therewith.

20.2 Pursuant to Article 2429, paragraph 2 of the Civil Code and Article 153 Finance Consolidated Act, the Board of Auditors reports its activities to the Assembly.

### **Article 21 (Coordination with the procedures of the Designated Manager)**

21.1 The Designated Manager ensures the necessary coordination of this Procedure with the administrative and accounting procedures for the drafting of the Company's Financial Statements and Consolidated Financial Statements, and of any other financial communication.

All OPCs approved under this Procedure are promptly reported by the Secretary of the Board of Directors to the Designated Manager for the

purposes of complying with the disclosure requirements of Article 154-bis of the Consolidated Act.

21.2. The Designated Manager promptly reports to the Board of Directors any changes to this Procedure deemed necessary thereby to ensure continuous coordination with the administrative and accounting procedures referred to in the preceding paragraph, also resulting from any changes in international accounting standards and/or national law.

#### **Article 22 (Entry into force)**

22.1 The Procedure applies as from January 1, 2011.

22.2 As from December 1, 2010, Article 5 of the OPC Regulation on "Information to the public about related-party transactions" is applicable, with the sole exception of paragraph 2 which applies as from January 1, 2011.

22.3 This Procedure and its subsequent amendments shall be published without delay on the Company's website, without prejudice to the Company's disclosure obligations, also by reference to the aforementioned website, in the Management Report.

## Annex 1 - Transactions of Great Significance

**1.1.** Pursuant to this Procedure, OPCs of Great Significance are transactions in which at least one of the following significance indexes, which may apply depending on the specific transaction, exceeds the 5% threshold:

a) **Value significance index:** it is the ratio between the value of the transaction and the equity reported in the most recent consolidated balance sheet published by the Company or, if greater, the capitalization of the Company recorded at the end of the last open market day comprised in the reference period of the most recent periodic accounting document published (annual or semi-annual financial report or interim management report).

If the economic conditions of the transaction are determined, the value of the transaction is:

- i) for cash components, the amount paid to/by the contractual counterparty;
- ii) for components made up of financial instruments, the fair value determined, on the date of the transaction, in accordance with the international accounting standards adopted by Regulation (EC) No. 1606/2002;
- iii) for finance transactions or for transactions giving guarantees, the maximum payable amount.

If the economic conditions of the transaction depend, in whole or in part, on variables not yet known, the value of the transaction is the maximum (receivable or payable) value pursuant to the agreement.

b) **Assets significance index:** it is the ratio between the total assets of the entity involved in the transaction and the total assets of the Company. The data to be used must be taken from the most recent consolidated balance sheet published by the Company; where possible, similar data should be used to determine the total assets of the entity involved in the transaction.

For the purchase and sale of shareholdings in companies that have effect on the consolidation, the value of the numerator is the total assets of the investee, regardless of the percentage of capital available.

For the purchase and sale of shareholdings in companies that have no effect on the consolidation, the value of the numerator is:

- i) in the case of purchases, the value of the transaction plus the liabilities of the acquired company eventually taken on by the buyer;

ii) in the case of sales, the price of the assets sold.

For the purchase and sale of other assets (other than the purchase of shareholdings), the value of the numerator is:

i) in the case of purchases, the greater between the consideration and the book value to be attributed to the assets;

ii) in the case of sales, the book value of the assets.

**c) Liabilities significance index:** it is the ratio between the liabilities of the entity acquired and the total assets of the Company. The data to be used must be taken from the most recent consolidated balance sheet published by the Company; where possible, similar data should be used to determine the total liabilities of the company or business unit acquired.

**1.2.** Transactions with a listed parent company or with parties related to the latter which are, in turn, related to the Company, where at least one of the significance indexes referred to in paragraph 1.1. exceeds the 2.5% threshold.

**1.3.** Pursuant to this Procedure, Transactions are of Great Significance where, despite not exceeding the quantitative significance thresholds listed above, they have a substantial impact, by reason of their nature, strategic importance, extent or commitments, on the Company's or Group's business, or may affect the Company's management autonomy ("**Transactions of Strategic Significance**").

**1.4.** In case of accumulation of more transactions, the Company first determines the significance of each transaction according to the applicable index or indexes referred to in paragraph 1.1. To verify whether the thresholds provided for in paragraphs 1.1 and 1.2 are exceeded, the results for each index are then added together.