



## Procedure for Related-party Transactions

Approved by the Board of Directors of  
Prelios S.p.A. on November 3<sup>rd</sup> 2010

*Unofficial English Translation*

*In case of any inconsistency the Italian version shall prevail, as the official document is the  
Italian version*

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## Procedure for Related-party Transactions

### Article 1 (Legal sources)

This procedure (hereinafter the “**Procedure**”) is adopted pursuant to and in connection with article 2391-bis of the Italian Civil Code and the “Rules on Related-party Transactions” adopted by Consob resolution No. 17221 of 12 March 2010, as amended by Consob resolution No. 17389 of 23 June 2010 (hereinafter “**RPT Rules**”) taking into account the instructions and clarifications provided by Consob in Communication No. DEM/10078683 of 24 September 2010.

### Article 2 (Scope)

2.1. The Procedure sets out the rules that Prelios S.p.A. (hereinafter “**Prelios**” or the “**Company**”) and its subsidiaries have to follow to carry out transactions with parties related to the Company.

2.2. Pursuant to the Procedure, Related-party Transaction (“hereinafter **Related-party Transaction**”) means any transfer of resources, services or assumption of obligations between Related Parties, regardless of any consideration agreed upon.

### Article 3 (Definition of Related Party)

3.1 Pursuant to the Procedure, in light also of Prelios’s shareholder base, a party is a Related Party<sup>1</sup> (hereinafter “**Related Party**”) of the Company if it:

- (a) directly or indirectly, including through subsidiaries, fiduciaries or third parties:

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<sup>1</sup> The Company, having evaluated the shareholder bases, has deemed the following member of the Prelios Shareholders’ Agreement (hereinafter the “**Agreement**”) to be a Related Party: **Cam Finanziaria S.p.A.** (including its subsidiaries therein).

As far as the other members of the Agreement – and specifically Edizione S.r.l., Mediobanca – Banca di Credito Finanziario S.p.A., Assicurazioni Generali S.p.A., Intesa Sanpaolo S.p.A. and Massimo Moratti also on behalf of (i) C.M.C. S.p.A. and (ii) ISTIFID S.p.A. (Massimo Moratti, C.M.C. S.p.A. and ISTIFID S.p.A. to be understood as a single combined entity) – the Company has deemed that the latter do not qualify as Related Parties of the Company to which the Procedure applies.

In addition, with regard to **Pirelli & C. S.p.A.** (formerly parent of the Company), this has been deemed as a Related Party – including its subsidiaries therein – in consideration of the considerable influence that its Chairman (Marco Tronchetti Provera, Chairman of the Company as well) is in a position to exert on it, in terms of the stake held and the role fulfilled.

In accordance with the procedure provided for in Article 17 below, any additional parties may – depending on the specific circumstances of membership and/or relationships – be identified as Related Parties of the Company.

- (i) controls or is controlled by, or is under common control of, Prelios;
- (ii) holds such an equity interest in Prelios as to be able to exercise a significant influence on it;
- (iii) exercises control over Prelios, including with other parties;
- (b) is an associated company of Prelios;
- (c) is a joint venture where Prelios is a participant;
- (d) is a director, a statutory auditor, a key executive of Prelios or one of its controlling entities, or the executive in charge of preparing the Company's corporate accounting documents;
- (e) is a close relative of one of the persons under sub-paragraphs (a) or (d);
- (f) is an entity where one of the persons under (d) or (e) exercises control, joint control or significant influence or holds, directly or indirectly, at least 20% of the voting rights;
- (g) is an Italian or foreign collective or individual pension scheme established in favour of Company employees or any other entity related to it.

3.2 For the above purposes, “control”, “joint control”, “significant influence”, “close relatives”, “key executives”, “subsidiaries”, “associated companies”, and “joint ventures” are those indicated in annex 1 to the RPT Rules.

Specifically, the notions of “close relatives” and “key executives” are as follows:

**Key executives:** are managers (executives or not) of the Company, as well as of those parties identified by the Board of Directors of the Company who have direct or indirect power and responsibility for the planning, management and control of the activities of the Company and/or its subsidiaries;

**Close relatives.** These are close relatives of a party, such as relatives who it is expected may influence, or be influenced, by the party with an interest in their dealings with the Company. These are assumed to include:

- (a) a non-legally separated spouse and a live-in partner;
- (b) the party's children and dependents, non-legally separated spouse or live-in partner.

#### **Article 4 (Materiality thresholds)**

4.1 Significant Related-party Transactions (hereinafter “**Significant RPTs**”) are transactions which exceed the thresholds indicated in appendix 1.

4.2 Immaterial Related-party Transactions (hereinafter “**Immaterial RPTs**”) are transactions for an equivalent amount (or, if without consideration, a value) up to Euro 150,000 (one hundred and fifty thousand).

4.3 Non-significant Related-party Transactions (hereinafter “**Non-significant RPTs**”) are Related-party Transactions other than Significant Transactions and Immaterial Transactions.

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

5.1 The Procedure does not apply to Immaterial RPTs.

5.2 Save as otherwise specified by paragraph 3 of this article, the Procedure does not apply:

- (a) to transactions carried out by Prelios with subsidiaries or to transactions between Prelios subsidiaries;
- (b) transactions carried out by Prelios or Prelios’s subsidiaries with Prelios associated companies;
- (c) in case of Ordinary Transactions (referred to in article 6 hereinafter) carried out at arm’s length, as defined by articles 6 and 7 hereinbelow, without prejudice to the disclosure requirements provided for by subparagraph c) of article 13 of the RPT Rules.

5.3 The Procedure applies also in the cases indicated by article 5.2, subparagraphs (a) and (b) when the counterparties to a transaction are Prelios subsidiaries or associated companies and Prelios’s other Related Parties have interests qualified as significant, such interests being, without limitation, significant influence exercised by the Related Party that is the counterparty to the transaction.

There is significant interest also when one or more Directors or other key executives of Prelios benefit from incentive plans based on financial instruments (or, in any case, from variable remuneration) depending on the results achieved by the subsidiaries with which the transaction is carried out. In this case, the judgement of materiality is to be made in light of the weight

assumed by the remuneration dependent on the subsidiary's performance (including the aforesaid incentive plans) compared to the overall remuneration of the Director or key executive.

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

6.1 Ordinary transactions (hereinafter "**Ordinary Transactions**") include all transactions related to ordinary company operations and all operating activities not otherwise classifiable as investment or financial activities (hereinafter "**Operating Activities**"). Provided that they are carried out in accordance with specific corporate procedures and that they qualify as Operating Activities – due to their object, recurrence, size, terms and conditions and nature of the counterparty - Ordinary Transactions include, without limitation:

- the activity of manufacture and marketing of goods, works and services in connection with the Operating Activities of Prelios or of the subsidiaries, including promotion and participation in transactions and investments in the real estate sector in general;
- the activity of acquisition of goods, works and services connected with the Operating Activities and/or necessary to carry out initiatives in the real estate sector, as well as for the preservation, maintenance, administration, exploitation and sale of real estate properties owned and/or under management as part of the Operating Activities of the Prelios Group and, in general, for the company's organisational functioning in its current size and characteristics, unless it is an investment or a Financial Activity;
- the activities of acquisition and management of financial resources, with correlated ancillary hedging activities associated with carrying out the Operating Activities, excluding all those that may be qualified as investment or Financial Activity;
- the activity of managing equity investments, specifically:
  - purchase and sale of equity investments;
  - subscription of capital increases, except those with exclusion of the right of option, sinking fund contributions and shareholder loans,

unless it may be qualified as an investment or Financial Activity.

6.2 For the purposes of the Procedure an **Investment** is: (i) any transaction that entails the acquisition or the disposal of fixed assets (for example, acquisitions and disposals of equity investments, real estate, plant and equipment or intangible assets), except for “non-current” assets held for sale; (ii) any financial investment not included in so-called “cash and cash equivalents.”

6.3. For the purposes of the Procedure a **Financial Activity** is any activity that entails changes to: (i) the size and composition of the paid-up share capital; (ii) loans obtained by the Company not related to the Operating Activities.

#### **Article 7 (Arm’s length transactions)**

7.1 Arm’s length transactions reflect terms and conditions similar to those usually applied to non-Related Parties for similar transactions in terms of nature, size or risk, or in public and/or regulated tariffs or at administered prices.

7.2 Arm’s length prices are assumed to be also those applied at the end of a tender purchase/sale procedure if conducted in accordance with specific company rules, consistent with internal control principles, and if with adequate documentation and paper trail.

#### **Article 8 (RPT Committee)**

8.1 The Company’s Board of Directors establishes a Committee for Related-party Transactions (hereinafter “**RPT Committee**”) composed of three members. All members of the RPT Committee shall be standing Independent Directors of Prelios.

8.2 The RPT Committee shall be also held to be sitting if the Board of Directors has attributed its respective responsibilities to an existing committee, provided that this committee consists of at least three members and provided that all the members are Independent Directors.

8.3 In the absence of at least three Independent Directors, article 19 hereinbelow shall apply.

8.4 The members of the Board of Statutory Auditors shall be invited to attend the meetings of the RPT Committee.

8.5 The Board of Directors may appoint other Independent Directors of Prelios as alternate members of the RPT Committee.

8.6 Alternate members of the RPT Committee shall be subrogated temporarily, in the order indicated in the appointment record, to review the RPTs when counterparties to a transaction include one or more standing members of the RPT Committee (or a Related P through them). If it does not proceed pursuant to paragraph 5 above, the Board of Directors shall appoint the RPT Committee from time to time temporarily to review RPTs in which the counterparties to the transaction include one or more members of the RPT Committee.

8.7 Alternate members of the RPT Committee shall take over and serve in office until the first meeting of the Board of Directors convened to resolve on the appointment to the RPT Committee in case of termination for any reason of a standing member of the RPT Committee or in case the independence requirements provided for by the Procedure are no longer fulfilled.

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

For purposes of this Procedure, the following shall be:

**Independent Directors:** these include such Prelios directors as meet the independence requirements laid down by the Corporate Self-Governance Code of the Italian Stock Exchange, to which Prelios is bound. In particular, the independence of directors is evaluated by the Company's Board of Directors upon their appointment and, subsequently, at least during the meetings of the Board of Directors convened to approve the Annual Report on Corporate Governance and the Ownership Structure.

**RPT Management Committee:** Committee chaired by the General Counsel - which includes the Secretary of the Board of Directors (if different from the General Counsel), the General Finance & Advisory Manager, the Director of Legal and Corporate Affairs, the Director of Administration and Accounts, the Investor Relations Director - who is called upon to review interpretation and/or application issues as well as to evaluate the terms and conditions so as to submit the RPT for review (i) to the RPT Committee, in case of Non-significant

RPT transactions or (ii) to the RPT Committee and the Board of Directors, in case of Significant Related-party Transactions.

**Lead Independent Director:** Independent Director who acts as a reference, coordinating the views and inputs of non-executive and, in particular, Independent Directors and to which the power to call meetings among Independent Directors alone is granted.

**Managers:** the heads directly responsible for Prelios Group Business Units/Central Functions/Operating Activities;

**Top Executives:** managers of Prelios Group Business Units/Central Functions/Operating Activities reporting directly to a Chief Executive Officer, a Chief Operating Officer, or General Manager, usually involving Assistant General Managers and Managers.

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

10.1 [Prelios]'s Related Parties are included and arranged in a specific database based on the information available as well as declarations received from direct Related Parties (hereinafter "**Database**").

10.2 Controlling entities, directors, statutory auditors, key executives, entities with significant influence on Prelios and the other direct Related Parties within the meaning of this Procedure issue a statement with the information necessary to identify persons and entities that qualify as Related Parties through them.

10.3 The Database is updated on a quarterly basis at least. In particular, the Secretary of the Board of Directors gathers the statements rendered by the Related Parties within the month following the closing of every quarter and sends them to the Finance & Advisory department in charge of the Database.

10.4 Without prejudice to paragraph 3 of this article, direct Related Parties notify promptly the Secretary of the Board of Directors about the existence of new Related Parties through them.

10.5 The RPT Committee oversees the proper update of the database also through periodic audits performed with the help of the Company's Internal Audit department.

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

11.1 Before engaging in a transaction, the Managers of the Company and its subsidiaries check that the counterparty is a Related Party.

11.2. In the event that a counterparty to a transaction is determined to be a Related Party and the transaction is not exempt as per article 5, the Manager will refrain from investigating the deal and/or the negotiations and will report to a Top Executive of the Company or, in case of Italian or foreign subsidiaries, the Chief Financial Officer (or in absence thereof, the Chief Executive Officer) of such subsidiaries which, in turn, will inform Prelios's General Finance & Advisory Manager.

11.3 Upon receipt of the report, the Top Executive of the Company or the General Finance & Advisory Manager of Prelios notifies the General Counsel and the Secretary of the Board (if different from the General Counsel) who – after convening the RPT Management Committee, if applicable, and sharing the evaluation with the Lead Independent Director – provide instructions on how to conduct the transaction in accordance with article 12 (**Significant RPTs**) or article 13 (**Non-significant RPTs**) of this Procedure.

11.4 There will be adequate documentation and paper trail in relation to the activities described in the foregoing paragraphs.

### **Article 12 (Significant RPTs)**

12.1 In case of Significant RPTs, the General Counsel informs the Chairman of the Board of Directors, the Managing Directors and the Chairman of the RPT Committee without delay.

12.2 The Secretary of the Board of Directors guarantees prompt and full information between the persons in charge of negotiations and the RPT Committee. In particular, before the start of negotiations for Significant RPTs, the RPT Committee will receive a report with a summary of the main details of the transaction and, subsequently, during negotiations, a report - to be submitted periodically and in any case at least quarterly - indicating any significant changes from the previous report.

The RPT Committee will be informed about any termination of negotiations.

12.3 The RPT Committee, or the Independent Director appointed by the RPT Committee for this purpose, may request information and submit comments to the persons in charge of negotiations or responsible for analysing the transactions.

12.4 Upon completion of the transaction analysis, the Chairman of the RPT Committee convenes a meeting of the RPT Committee, also through the Secretary of the Board of Directors, so as to hear its members' reasoned opinion on the interest of the Company in carrying out the transaction and on the attractiveness and the substantive fairness of the relevant terms and conditions.

12.5 The RPT Committee may, at its option and at the Company's expense, rely on one or more independent experts.

12.6 The RPT Committee's opinion is sent, through the Secretary of the Board of Directors, to the Chairman of the Board of Directors who, in turn, puts the Significant Transaction on the agenda for Prelios's Board of Directors' approval.

12.7 The Board of Directors approves the transaction with the favourable opinion of the RPT Committee.

12.8 Concerning Significant RPTs submitted for its approval, the Board of Directors receives sufficiently in advance adequate information on the transaction and on the nature of the relationship with the counterparty, on the details of the execution of the transaction, on the terms and conditions, including economic ones, of its implementation, on the evaluation process followed and on any risk for the Company, as well as the opinion rendered by the RPT Committee.

12.9 Once the transaction has been approved by the Board of Directors, the Secretary of the Board of Directors notifies the person in charge of the transaction or the General Finance & Advisory Manager, in case of transactions to be carried out by Prelios's subsidiaries, in order for the transaction to be able to be executed. In the event that the transaction is not approved, the Manager in charge will refrain from initiating or continuing negotiations.

12.10 Once the Significant RPT has been approved, for completion also through a Prelios subsidiary, the Company prepares, in accordance with the

law and the RPT Rules, a disclosure in accordance with the requirements of the RPT Rules.

12.11 When a significant RPT has to be reviewed by or requires the approval of the shareholders, pursuant to the law or the bylaws, this article applies to the negotiation, the analysis and the process of approval of the resolution to be submitted to the general shareholders' meeting.

### **Article 13 (Non-significant RPTs)**

13.1 In case of Non-significant RPTs, the General Counsel informs the Chairman of the RPT Committee who convenes a meeting of the RPT Committee, including through the Secretary of the Board of Directors (if different from the General Counsel), to hear its reasoned opinion on the interest of the Company, or of its subsidiary, in carrying out the transaction as well as its attractiveness and the substantive fairness of the relevant terms and conditions.

13.2 The Company's manager in charge of the transaction or the General Finance & Advisory Manager, in case of transactions to be completed through subsidiaries, provides, together with the notice of the Non-significant RPT to be carried out, a detailed report with the description of the transaction, indicating the counterparty, the main terms and conditions of the Non-significant RPT, the reason for the Company's or the subsidiary's interest and the attractiveness of the terms and conditions.

13.3 As the meeting is convened, and in any case with sufficient notice prior to the meeting, the Secretary of the Board of Directors sends the documents containing adequate and complete information on the RPT to the RPT Committee. When the conditions of an Non-significant RPT are determined to be equivalent to market or standard conditions, the documentation sent to the RPT Committee must contain objective supporting elements.

13.4 The Committee may, at the Company's expense, retain one or more independent experts of its own choosing for an amount equal to 2% of the value of the transaction considered to qualify the RPT as Non-significant and in any case not greater than Euro 150,000 (one hundred and fifty thousand).

Reservation is made of the possibility for the RPT Committee to exceed that maximum expense threshold by agreement with the Chairman of the Board of Directors.

13.5 Once the Non-significant RPT has been reviewed, the RPT Committee renders its opinion on the Transaction. The minutes for the approval of the Non-significant RPT should indicate adequately the reasons for the Company's interest in carrying out the Non-significant RPT, as well as its attractiveness and the substantive fairness of its terms and conditions.

13.6 In case of favourable opinion, the Secretary of the Board of Directors notifies the manager in charge of negotiations or the General Finance and Advisory Manager who, in turn, informs the Chief Financial Officer of Prelios's subsidiary.

13.7 On a quarterly basis, the General Finance & Advisory Manager will submit, through the Secretary of the Board of Directors, a report to the Board of Directors and the Board of Statutory Auditors on the non-significant RPTs carried out by the Company or by its subsidiaries.

13.8 In case of negative opinion of the RPT Committee, the Secretary of the Board of Directors informs the Company's Top Executive in charge of the Non-significant RPT or the General Finance & Advisory Manager and the Company and/or its subsidiaries shall refrain from undertaking or continuing negotiations.

13.9 When a Non-significant RPT has to be reviewed by or requires the approval of the shareholders, pursuant to the law or the bylaws, this article applies to the negotiation, the analysis and the process of approval of the resolution to be submitted to the general shareholders' meeting.

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

This procedure does not apply:

a) to the shareholders' resolutions under article 2389, first paragraph, of the Civil Code, related to fees payable to the members of the Board of Directors and the Executive Committee, if any, as well as to the resolution on the remuneration of directors vested with special powers falling within the total amount established in advance by the shareholders pursuant to article 2389,

third paragraph, of the Civil Code. Also, this procedure does not apply to the shareholders' resolutions under article 2402 of the Civil Code, related to compensation attributable to the members of the Board of Statutory Auditors.

b) to share-based compensation plans approved by the shareholders pursuant to article 114-bis of the Consolidated Finance Act and the relevant implementation provisions;

c) to resolutions on the remuneration of directors vested with special powers as well as key executives, other than those indicated under a).

Specifically, this procedure does not apply to the case under c), provided that:

i) the Company has adopted a remuneration policy, including policies relative to employment termination by mutual agreement;

ii) a committee made up exclusively of non-executive directors, most of which independent, has participated in setting the remuneration policy;

iii) a report on the remuneration policy has been submitted to the body of shareholders for approval or consultation;

iv) the remuneration attributed is consistent with such policy.

#### **Article 15 (Master resolutions)**

15.1. For certain groups of transactions, the Company may adopt master resolutions related to similar transactions with specified Related-Party categories.

15.2. The adoption of master resolutions is recommended by the Chairman of the Board of Directors, the Managing Directors, the General Managers or the General Counsel who, considering the appropriateness of adopting one, will draft a proposal indicating specifically (i) the type of group of transactions for which the master transaction is required; (ii) the Related Party or the type of Related Party acting as a counterparty in a transaction falling within the scope of the master resolution; (iii) duration of effectiveness of the master resolution; (iv) maximum expected amount of transactions to be completed during the period; (v) reason of the conditions for the master resolution.

15.3 The proposed master resolution is submitted to the General Counsel and the Secretary of the Board of Directors (if different from the General Counsel)

who, once they have verified whether the transaction is Significant or Non-significant, will submit the proposal to the Chairman of the RPT Committee for the Committee to adopt the appropriate resolutions in accordance with subparagraphs 4 and 5 of this article.

15.4. Master resolutions cannot be effective for more than one year and must include evidence of the types of transactions included, the expected maximum amounts of the transactions to be performed in the period of reference and the reasons for the terms and conditions outlined in the master resolution.

15.5 Master resolutions for transactions cumulatively greater than Euro 10,000,000 (ten million) or, if lower, than the amount established pursuant to the thresholds provided for in annex 1 for the definition of Significant RPT (“**Significant Master Resolutions**”) must be approved in advance by the Board of Directors, with the favourable opinion of the RPT Committee. Moreover, they are subject to the other provisions hereunder on Significant RPTs, including the disclosure required by the RPT Rules. In case of negative opinion, the proposal is not submitted to the Board of Directors.

15.6. Master resolutions for amounts cumulatively lower than Euro 10,000,000 (ten million) (“**Non-significant Master Resolutions**”) must be approved by the RPT Committee and are subject to the rules applicable to Non-significant RPTs.

15.7. The Finance & Advisory department sends a quarterly report to the Board of Directors on the implementation of master resolutions, during the meetings of the Board of Directors convened to approve the reports provided for by article 154-ter of the Consolidated Finance Act.

15.8. Individual transactions completed under a master resolution are not subject to articles 12 and 13 on Significant and Non-significant RPTs. Transactions completed under a master resolution for which disclosure is required are not calculated as part of the cumulative amount used to determine whether the applicable thresholds have been exceeded.

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

In urgent cases, where transactions do not fall within the purview of the shareholders, and do not have to be authorised by them, RPT transactions can be completed also in a departure from articles 12 and 13, without prejudice to the obligation of “Public disclosure of Related-party Transactions” under article 5 of the RPT Rules, provided that:

- (i) the transaction to be completed falls within the competence of a Managing Director or the Executive Committee, if any, and the Chairman of the Board of Directors and the Lead Independent Director (and, in the event that the transaction concerns the Chairman, in any case upon approval by the Board of Directors) are aware of the reason of the urgency before the transaction is completed;
- (ii) these transactions are subsequently submitted for the non-binding approval of the shareholders in the next ordinary general meeting, without prejudice to their effectiveness;
- (iii) the Board of Directors prepares a report outlining adequate explanations for the urgency. Pursuant to article 13, paragraph 6, subparagraph c) of the RPT Rules, the Board of Statutory Auditors reports to the shareholders on the existence of such urgent reasons;
- (iv) the reports of the Board of Directors and the Board of Statutory Auditors under sub-paragraph (iii) are made available to the public at least 21 days prior to that set for the general meeting of shareholders at the registered office and in the manner provided for by the Regulation on Issuers;
- (v) by the day following that of the general meeting of shareholders, the Company discloses to the public, in accordance with the provisions of the Regulation on Issuers, the outcome of the vote, particularly the number of total votes by non-related shareholders.

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<sup>2</sup> This article will apply only following any transposition into the Bylaws of the powers indicated therein.

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

17.1 Amendments to the Procedure are approved by the Board of Directors, with the prior opinion of the RPT Committee. In case the Board does not have at least three Independent Directors in office, the alternate controls set out in article 19 hereinafter shall apply.

17.2 Periodically and at least every three years, the Board of Directors, with the prior opinion of the RPT Committee, shall evaluate whether to revise the Procedure, taking into account, among other things, any changes to the ownership structure, as well as to the effectiveness thereof.

### **Article 18 Public disclosure on RPTs**

The Company shall disclose RPTs to the public under the terms and conditions provided for and governed specifically by articles 5 and 6 of the RPT Rules.

### **Article 19 (Alternative controls)**

19.1 In the event that the Board does not have at least three Independent Directors, resolutions related to amendments to the Procedure and the approval of Significant RPTs and Non-significant RPTs are approved with the favourable opinion of any Independent Directors present or, in their absence, with the non-binding opinion of an independent expert.

19.2 In the event that the Board does not have at least three Independent Directors, duties and responsibilities attributed to the RPT Committee for the analysis and negotiation of Significant RPTs are attributed to one or more non-related directors present or to an independent expert.

### **Article 20 (Oversight by the Board of Statutory Auditors)**

20.1 The Board of Statutory Auditors shall oversee compliance of the Procedure and its subsequent amendments with the RPT Rules and observance thereof.

20.2 The Board of Statutory Auditors, pursuant to articles 2429, paragraph 2, of the Civil Code, and 153 of the Consolidated Consolidated Finance Act , shall report to the shareholders' meeting on the activities carried out by it pursuant to paragraph 1 above.

**Article 21 (Coordination with *Dirigente Preposto's* procedures)**

21.1 The executive in charge of preparing the Company's corporate accounting documents (hereinafter the "*Dirigente Preposto*"), shall provide the necessary coordination of the Procedure with the administrative and accounting procedures for the preparation of the individual and consolidated financial statements, as well as of any other financial communication.

All the Related-party Transactions approved pursuant to the Procedure shall be promptly notified by the Secretary of the Board of Directors (if different from the General Counsel) to the *Dirigente Preposto*, for fulfilling the disclosure requirements of Art. 154-bis of the Consolidated Finance Act.

21.2 The *Dirigente Preposto* shall report in a timely manner to the Board of Directors on any changes to the Procedure that he should deem necessary in order to guarantee coordination over time with the administrative and accounting procedures referred to in paragraph 1 above, including as a result of amendments to international accounting standards or to national standards.

**Article 22 (Coordination with other internal procedures or codes of conduct)**

Any other provisions, which may concern either Related Parties and/or RPTs, adopted by the Company based on different internal procedures or codes of conduct, shall not be affected by this Procedure, remaining completely autonomous, without prejudice of such provisions not being able in any way to revoke what is provided for by the Procedure, in less stringent terms compared to the rules of transparency and substantive and procedural correctness governed herein.

**Article 23 (Effective date)**

23.1 The Procedure takes effect as of 1 January 2011.

23.2 The provisions presupposing an amendment of the Articles of Association shall be effective as of the date on which such amendment is recorded in the companies' register.

23.3 Article 5 of the RPT Regulation on "Disclosure of Related-party Transactions" applies as of 1 December 2010, with the sole exception of paragraph 2, which shall apply as of 1 January 2011.

23.4 The Procedure and its subsequent amendments shall be published without delay on the Company's website, without prejudice to the obligation of disclosure again with reference to the aforesaid website in the Management Report.

## Annex 1 - Significant transactions

1.1. Pursuant to the Procedure, Significant RPTs include all transactions where at least one of the following ratios, depending on the transaction, exceeds the 5% threshold:

**a) Value of transaction to equity:** this reflects the amount of the transaction as a share of the greater of equity, as reported in the latest consolidated balance sheet published by the Company or, if higher, the Company's capitalisation at the close of business on the last trading day in the period covered by the latest published accounts (annual, half-yearly or quarterly report).

If the terms and conditions of the transaction are specified, its value is:

i) for the cash component, the amount paid to/by the contractual counterparty;

ii) for the part represented by financial instruments, their fair value as of the transaction date, as determined in accordance with IFRSs as endorsed by Regulation (EC) No. 1606/2002.

iii) for loans and guarantees, the maximum disbursable amount.

If the terms and conditions of the transaction depend in whole or in part on amounts not yet known, the value of the transaction is the maximum amount receivable or payable under the agreement.

**b) Value of transaction to assets:** this reflects the amount of the transaction as a share of the Company's total assets. The figures to be used are taken from the latest consolidated balance sheet published by the Company. Where possible, similar data must be used to determine the amount of total assets of the entity involved in the transaction.

For purchases and sales of equity investments which affect the scope of consolidation, the numerator is the amount of total assets of the investee, regardless of the amount of the equity investment transacted as a share of equity.

For purchases and sales of equity investments which do not affect the scope of consolidation, the numerator is:

i) in the case of purchases, the amount of the transaction plus any liabilities of the acquired company assumed;

ii) in the case of sales, the consideration of the asset sold.

For purchases or sales of other assets (other than the acquisition of an equity investment), the numerator is:

i) in the case of purchases, the greater of the consideration and the book value that will be attributed to the asset;

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

**c) Value of transaction to liabilities:** this reflects the amount of total liabilities of the entity acquired as a share of the Company's total assets. The figures to be used are derived from the latest consolidated balance sheet published by the Company. If possible, similar data should be used to determine total liabilities of the company or the business unit acquired.

**1.2.** Transactions with a listed controlling Company or with entities related to the latter as well as to the Company, if at least one of the ratios under paragraph 1.1 exceeds the 2.5% threshold.

**1.3** Pursuant to the Procedure, Significant RPTs include transactions which, even if below the materiality thresholds listed above, may affect the Company's operational autonomy. This is without prejudice, however, to the possibility for the Company to subject transactions below the stated materiality thresholds to the same controls provided for dealing with Significant Transactions when these – due to their nature, strategic importance, size or commitments they entail – have a significant effect on the activity of the Company or the Group ("**Strategic Transactions**").

**1.4.** In case of cumulative transactions, the Company determines first of all the significance of each transaction on the basis of the ratio or ratios under paragraph 1.1 applicable to it. To determine whether the thresholds under paragraphs 1.1 and 1.2 are exceeded, the results related to each ratio are totalled.