

# Annual Corporate Governance Report

## CORPORATE GOVERNANCE STRUCTURE

This report (the “**Report**”) describes the corporate governance system of IGD Siiq S.p.A. (the “**Company**” or “**IGD**”). The corporate governance system is a set of standards, rules and procedures that are consistent with the Corporate Governance Code for Listed Companies, drawn up by the Corporate Governance Committee of the Italian Stock Exchange (*Borsa Italiana SpA*) and published in March 2006 (the “**Corporate Governance Code**”). In 2008 IGD approved the Rules for Corporate Governance designed to govern, pursuant to the law, the composition, qualifications and role of the Corporate bodies overseeing the Company.

The system is focused on: (i) the guiding role of the Board of Directors in matters of corporate strategy; (ii) the transparency of business decisions within the Company and vis-à-vis the market; (iii) the efficiency and efficacy of the internal control system; (iv) the strict governance of potential conflicts of interest; and (v) clear procedures for transactions with related parties and for the treatment of corporate information.

IGD has a traditional corporate governance system which is administered solely by the Board of Directors, while the Board of Statutory Auditors is responsible for control and the financial audit of the company is assigned to external auditors registered in Consob’s specific roll.

During the Shareholders’ Meeting held on 28 April 2006, IGD’s shareholders resolved that the Company’s **Board of Directors** was to be comprised of 15 members as per Art. 16.1 of the current bylaws (the “**Bylaws**”), with a three year term. The Board meets regularly and is organized to ensure the effective performance of its duties. In this context, the directors act and deliberate on an informed basis, pursuing the primary objective of creating shareholder value. Pursuant to the Corporate Governance Code guidelines and international corporate governance standards and as recommended by the EC, the Board also appointed several internal working committees.

The **Board of Statutory Auditors** oversees compliance with the law and the Bylaws and ensures that the standards of correct administration are observed and, in particular, that the organizational, administrative and accounting structures are adequate, that they function correctly, that the corporate governance rules provided for in the code are complied with and that the disclosures made by the company to its subsidiaries comply with Art. 114, paragraph 2, of the TUF (public disclosures); the Board of Statutory Auditors is also called upon to provide the shareholders with a motivated opinion as to the choice of the external audit firm to be hired for financial audit.

As per the bylaws, the **Board of Statutory Auditors** is comprised of three standing auditors and two alternates, who are elected by the shareholders’ meeting as provided for by law.

The **shareholders’ meeting** is called and resolves according to the law and the Bylaws. The Company has a set of regulations to ensure that meetings are held in an orderly and effective manner.

The **external auditors**, registered in Consob’s specific roll, conduct company audits pursuant to the law. The external auditors are appointed by the shareholders as per the Board of Statutory Auditors’ recommendation.

The **share capital** subscribed totals € 355,902,405.00 of which € 309,249,261.00 was paid-in on 12 March 2009. The share capital consists of 309,249,261.00 ordinary shares with a par value of € 1 each.

Based on the notices received as per Art. 120 of the TUF and other information available, at 12 March 2009, the shareholders of Immobiliare Grande Distribuzione who directly or indirectly hold more than a 2% interest in the fully-paid voting ordinary share capital, are as follows:

<i>SHAREHOLDER</i>	<i>% OF SHARE CAPITAL</i>
<b>COOP ADRIATICA SOC.COOP.A R.L.</b>	41,498
<b>UNICOOP TIRRENO SOC.COOP.</b>	13,642
<b>IMMOBIARE GRANDE DISTRIBUZIONE SIIQ SPA</b>	3,549
<b>EUROPEAN INVESTORS INCORPORATED</b>	5,070

## **COMPLIANCE WITH THE CORPORATE GOVERNANCE CODE**

### **THE BOARD OF DIRECTORS**

#### **ROLE AND FUNCTIONS (ART. 1 OF THE CORPORATE GOVERNANCE CODE)**

The Company is administered by a Board of Directors composed, as per the Bylaws, of seven to nineteen members who are elected by the shareholders' meeting. They serve for up to three financial years and their term expires on the date of the shareholders' meeting called to approve the financial statements for their final year in office. The directors are eligible for re-election in accordance with Art. 2383 of the Italian Civil Code.

In accordance with the Bylaws, the Board of Directors may take all measures it deems fit for implementing and achieving the corporate purpose, except for those that the law or the Bylaws reserve to the shareholders' meeting.

Following the criteria set forth in Art. 1.C.1 of the Corporate Governance Code, the Board of Directors:

- examines and approves the strategic, industrial and financial plans of the Company and the group it heads, the Company's corporate governance system, and the group structure;
- judges the adequacy of the organizational, administrative, and accounting structure of the Company and its strategic subsidiaries as arranged by the chief executive officer, with particular reference to the internal control system and the management of conflicts of interest;
- grants and revokes the powers of the chief executive officer, defining limits and procedures; establishes the frequency—no less than quarterly—with which the chief executive officer must report on his or her activities to the Board of Directors;
- determines, after consulting the Board of Statutory Auditors, the compensation of the chief executive officer and the other directors with particular responsibilities, and divides the Board of Directors' overall compensation among its members if the shareholders' meeting has not done so;
- evaluates general business performance, taking account of the information received from the chief executive officer, and periodically comparing actual results with forecasts;
- examines and approves in advance the transactions of the Company and its subsidiaries, where such transactions are strategically, economically or financially significant for the Company, paying special attention to situations in which one or more directors have an interest on their own or on third parties' behalf and, more generally, to transactions with related parties; to this end establishes general principles to identify significant transactions;
- evaluates, at least once a year, the size, composition and proper functioning of the Board of Directors and its committees, expressing any opinions as to the professional figures whose presence on the board would be considered appropriate;

- indicates in the corporate governance report the number of meetings held by the Board of Directors during the year and the attendance rate of each director;
- reports each year on the offices held by its directors in other listed companies, financial institutions, banks, insurance companies or other entities of significant size;
- exercises all other powers granted by law and the Bylaws.

Pursuant to the Corporate Governance Code, the Board of Directors used the information provided by the Chief Executive Officer during the year to evaluate the adequacy of the Company's and its subsidiaries organizational, administrative and general accounting structures, particularly with regard to the internal control system.

Furthermore, as in 2007, once again in 2008 IGD hired the consulting company Egon Zehnder International to help with the self-assessment of the size, composition and functioning of its Board of Directors and its Committees as provided for in the Corporate Governance Code. Based on the self-assessment survey, IGD's Board of Directors has achieved levels of Italian market excellence in terms of:

- Size which was found to be adequate and efficient, with a majority of independent directors;
- Balanced composition and, overall, the presence of the necessary expertise and managerial experience;
- Efficient functioning, thanks above all to the positive environment, highly motivated directors, team spirit and the Chairman's ability to coordinate, guide and facilitate the Board's activities which was well supported by the Chief Executive Officer.

#### **ELECTION AND COMPOSITION OF THE BOARD OF DIRECTORS (ART. 2 AND ART. 6 OF THE CORPORATE GOVERNANCE CODE)**

The shareholders' meeting of 28 April 2006 decided that there will be 15 members of the Board of Directors, to serve until the date of the shareholders' meeting called to approve the financial statements for the year ending 31 December 2008.

Pursuant to arts. 16.2 and 16.3 of the Bylaws, the directors are elected on the basis of preference lists submitted by the shareholders in maximum transparency and in accordance with Art. 6.P.1 of the Corporate Governance Code. In accordance with Art. 16.3 of the Bylaws, lists may be submitted by shareholders who, alone or together with others, hold the percent interest determined in accordance with CONSOB regulations. The lists must be filed at the head office at least twenty days in advance of the first-call date of the meeting. The candidates must be numbered sequentially in the lists up to the number of seats to be filled. In accordance with the latest version of Art. 147 *ter*, fourth paragraph, of the TUF, Art. 16.3, last passage, of the Bylaws states that every list must include at least two clearly indicated candidates who qualify as independent in accordance with the law.

In compliance with the Bylaws, the lists must be filed along with the candidates' irrevocable acceptance of office (should they be elected), curriculum vitae, and statements confirming that there are no reasons for ineligibility and/or disqualification and that they meet the requirements set by law.

Art. 16.4 of the Bylaws, reflecting the new provisions of Art. 147-*ter*, paragraph 3 of the Consolidated Finance Act (as amended by the Investor Protection Law and the Corrective Decree), prohibits any shareholder from submitting or participating in the submission of more than one list. In keeping with the above, Art. 16.7 of the Bylaws states that if more than one list is submitted, at least one director must be appointed from the minority list. Thus, if the candidates ranked with the highest quotients come from a single list, the candidate from the minority lists who has earned the highest quotient will be elected in place of the candidate at the bottom of the ranking.

Art. 16.8 of the Bylaws, on the subject of filling vacancies on the Board of Directors, combines the co-optation system with the requirement that minority interests be represented and that at least two directors qualify as independent pursuant to Art. 147-ter, para. 3 of the TUF.

The Board of Directors has decided that the use of the preference-list voting system not only complies with the provisions of Law 262/2005 but makes it unnecessary to institute a nominations committee, while ensuring a transparent election procedure and a balanced mix on the Board including an adequate number of independents.

The Board of Directors currently in office was elected by the shareholders' meeting of 28 April 2006, called by notice published in *Il Sole 24Ore* on 29 March 2006, on the basis of two lists submitted respectively by the majority shareholders, Coop Adriatica and Unicoop Tirreno, and by three minority investors (Fondazione Cassa di Risparmio di Imola, Fondazione Cassa di Risparmio di Bologna, and Unipol Merchant SpA). The shareholders who submitted the lists provided, by the necessary deadline, the candidates' documentation to allow prior review of their personal and professional qualifications, as well as statements concerning the independent status of some candidates and all of their irrevocable acceptances of office.

Pursuant to Art. 32 of the shareholders' agreement between Coop Adriatica and Unicoop Tirreno of 22 December 2004 (amended in June 2006 per a filing of 22 June of that year), which establishes a voting block on 170,516,129 ordinary shares of the Company or 60.414% of the share capital, three members of the Board of Directors were reserved to the minority list.

The shareholders' agreement between Coop Adriatica and Unicoop Tirreno expired on 22 December 2007. On 6 February 2008, the same shareholders signed a new agreement pursuant to Art. 122 of the TUF, involving 170,516,129 ordinary shares or 55.140% of the share capital, of which 157,713,123 shares are bound by a voting block and the remaining ones are free.

The current composition of the Board of Directors is shown in the table below, which indicates each member's role as executive or non-executive and the independent status of certain members as required by the Corporate Governance Code.

**Table 1**

<b>Title</b>	<b>Name and Surname</b>	<b>Role</b>
Chairman	Gilberto Coffari	Non-executive
Vice Chairman	Sergio Costalli	Non-executive
Chief Executive Officer	Filippo-Maria Carbonari	Esecutivo
Director	Roberto Zamboni	Non-executive
Director	Leonardo Caporioni	Non-executive
Director	Fernando Pellegrini	Non-executive
Director	Massimo Franzoni	Independent
Director	Aristide Canosani	Independent
Director	Riccardo Sabadini	Independent
Director	Fabio Carpanelli	Independent

Director	Mauro Bini	Independent
Director	Claudio Albertini	Non-executive
Director	Francesco Gentili	Independent
Director	Sergio Santi	Independent
Director	Stefano Pozzoli	Independent

All directors devote the time necessary to ensure their tasks are effectively performed, and are aware of the responsibilities of their office; they are informed regularly of important legislative and regulatory changes concerning the Company and the exercise of their duties.

#### **NON-EXECUTIVE DIRECTORS (ART. 2 OF THE CORPORATE GOVERNANCE CODE)**

Except for the chief executive officer, all directors are non-executive, as they have no operational powers or management roles within the Company. Their number and profile ensures that Board decisions are well balanced, with particular reference to areas where conflicts of interest may arise.

The non-executive directors contribute their specific technical and strategic expertise to debates, so that topics can be examined from different perspectives, ensuring informed decisions that are in line with the Company's interests.

#### **THE INDEPENDENT DIRECTORS (ART. 3 OF THE CORPORATE GOVERNANCE CODE)**

The shareholders' meeting of 28 April 2006, in re-electing the corporate bodies, appointed the following independent directors: Massimo Franzoni, Aristide Canosani, Riccardo Sabadini, Fabio Carpanelli, Mauro Bini, Francesco Gentili, Sergio Santi, and Stefano Pozzoli.

Including as required by Art. 3.C.1 of the Corporate Governance Code, for the purpose of confirming their independent status, all of these directors declared to the Company in writing:

- (i) that they do not control the Company directly or indirectly, even through companies under their control, trustees or third parties, and are unable to exercise a significant influence over the Company;
- (ii) that they are not participants in any shareholders' agreement through which one or more parties may exercise control or significant influence over the Company;
- (iii) that they are not, and have not been in the preceding three financial years, a top representative of the Company, of a strategic subsidiary, or of an entity under joint control with the Company, or of a company or entity which, including jointly with others through a shareholders' agreement, controls the Company or is able to exercise a significant influence over it;
- (iv) that they do not, and have not in the preceding financial year, directly or indirectly (e.g. through companies under their control or companies of which they are a top representative, or in their capacity as partner of a professional firm or consulting company), had a significant commercial, financial or professional relationship: (i) with the Company, one of its subsidiaries, or any of its top representatives; (ii) with a party who, alone or with others through a shareholders' agreement, controls the Company; or (iii) with the top representatives of such a party;

- (v) that they are not, and have not been in the preceding three financial years, an employee of one of the parties mentioned under point (iv) above;
- (vi) that they do not receive, and have not received in the preceding three financial years, from the Company or one of its subsidiaries or parent companies, significant additional compensation apart from their fixed fee as a non-executive director of the Company, including participation in share-based or other performance related incentive schemes;
- (vii) that they have not been a director of the Company for more than nine years in the last twelve years;
- (viii) that they are not an executive director of another company in which one of the Company's executive directors is also a director;
- (ix) that they are not a shareholder or director of a company or entity belonging to the same network as the firm appointed to audit the Company's financial statements; and
- (x) that they are not a close relative of a person fitting the description contained in any of the points above.

In 2008, pursuant to Art. 3 of Corporate Governance Code, the Board of Directors verified that the independent status still applies to these members on the basis of statements rendered by same. The results of this evaluation were disclosed to the market.

#### **LEAD INDEPENDENT DIRECTOR**

At a meeting of 14 February 2007, in order to further enhance the role of independent director, the Board decided to introduce the title of Lead Independent Director. Lead Independent Director Riccardo Sabadini will be the reference person and coordinator for all positions and activities of the independent directors.

The Lead Independent Director, acting individually or at the request of other directors, may also call meetings of independent directors only ("independent directors' executive sessions") to discuss topics deemed of interest in relation to the functioning of the Board of Directors or the Company's management.

In 2008 the independent directors met on 22 February 2008, 23 October 2008 and will continue to meet at least once a year.

#### **OFFICES HELD BY THE DIRECTORS AT OTHER COMPANIES (ART. 1 OF THE CORPORATE GOVERNANCE CODE)**

Table 3 at the end of this document reports the offices of director and statutory auditor held by members of the current Board of Directors at other listed companies (Italian and foreign), financial institutions, banks, insurance companies or other entities of significant size.

#### **POWERS OF ATTORNEY AND POWERS AND REPRESENTATION OF THE SOCIETY (ART. 2 OF THE CORPORATE GOVERNANCE CODE)**

Art. 23.1 of the Bylaws states that the Board of Directors may delegate its powers, within the confines of Art. 2381 of the Italian Civil Code and determining the limits of such authority, to an Executive Committee comprised of some of its members and/or to one or more members given the title of chief executive officer or executive director.

On 3 May 2006, the Board of Directors confirmed Filippo-Maria Carbonari as chief executive officer, granting him the following powers:

- to develop and propose the strategies and financial policies of the Company and the group in relation to the growth, profitability and risk objectives determined by the Board of Directors, with responsibility for their implementation;
- to ensure that objectives are pursued in accordance with the guidelines set by the Board of Directors;

- to optimize the instruments and procedures of financial management and manage relations with the financial system;
- to develop and propose strategies for organizational development and policies for hiring, managing and training human resources;
- to recommend group accounting standards and operating principles to the Board of Directors and ensure that the financial statements (separate, administrative and consolidated) are properly formulated;
- to ensure compliance with group directives and with administrative, legal, and tax regulations and laws;
- to coordinate the preparation and reporting of the annual budget;
- to oversee and coordinate activities concerning general services or the Company's legal/tax issues;
- to assume responsibility for the prompt and correct implementation of work on property carried out directly by the Company, in compliance with the plans, budgets, and timeframes approved by the Board of Directors;
- to assume responsibility for operational supervision of the progress of turn-key contracts acquired from third parties;
- to assume responsibility for the proper maintenance of real estate assets according to rental contracts between IGD and third parties and the budgets approved by the Board of Directors, in compliance with applicable provisions of law;
- to assume responsibility for preparing the annual plan of work and the respective budget forecasts, with regard to both new construction and maintenance, subject to the approval of the Board of Directors.

CEO Filippo-Maria Carbonari also serves as General Manager and Chief Financial Officer.

Pursuant to Art. 23 of the Bylaws, the deputized parties shall report at least once per quarter to the Board of Directors and the Board of Statutory Auditors on general performance, the business outlook, and the transactions most relevant in terms of size or characteristics carried out by the Company or its subsidiaries.

Each director may ask the deputized parties to provide the Board with information on the Company's management.

In accordance with Art. 24.1 of the Bylaws, the Company's legal representation and signing authority are held by the chairman or, if the chairman is unavailable, by the vice chairman if appointed. Unless otherwise resolved, legal representation is also held by each executive director.

Company representation for individual deeds or categories of deed may be granted by the legitimate legal representatives to Company employees or third parties.

In consideration of the type of business and the role of the Board of Directors, the Company has not appointed an Executive Committee.

On 3 May 2006, the Board of Directors confirmed Gilberto Coffari as the Company's chairman.

#### **OPERATING PROTOCOL OF THE BOARD OF DIRECTORS (ART. 1 OF THE CORPORATE GOVERNANCE CODE)**

Pursuant to Art. 17.3 of the Bylaws, the chairman calls and presides over meetings of the Board of Directors; conducts, coordinates and moderates the discussion and related activities; and announces the results of votes.

Without prejudice to the call prerogatives guaranteed by law, meetings of the Board of Directors are called by the chairman, or the chairman's deputy, whenever this person sees fit or at the request of a majority of the directors. Art.

18.1 of the Bylaws also provides for Board of Directors meetings to be called by the Board of Statutory Auditors or by any member thereof, in accordance with Art. 151, paragraph 2 of the TUF as amended by the Investor Protection Law.

The Board of Directors meets at the place specified in the notice of meeting, which may be the registered office or anywhere else in Italy.

Meetings are normally called by telegram, fax, or other means as long as this ensures proof of receipt at the domicile of each member of the Board of Directors at least five days in advance of the meeting. In urgent cases, meetings may be called two days in advance. The statutory auditors are informed of the meeting according to the same terms described above.

Board meetings are presided over by the chairman or, if the chairman is unavailable, by the vice chairman (if appointed) or, if the vice chairman is unavailable, by the most senior director in terms of age.

For each meeting the Board of Directors, at the chairman's proposal, elects a secretary who may or may not be a member and who will sign the minutes of the meeting.

The Bylaws require the presence of at least one member of the Board of Statutory Auditors at all sessions of the Board of Directors, to ensure that the auditors are informed of the Company's activities and of the transactions having a significant impact on profitability, assets, liabilities, and financial position carried out by the Company or its subsidiaries, in particular those transactions in which they have an interest on their own or third parties' account; that are influenced by the party in charge of management and coordination; or that have been the subject of resolutions, debate or announcement during the course of the session. If no statutory auditor is present at a meeting of the Board of Directors, or if the procedures adopted in accordance with the preceding section do not guarantee that the auditors are informed on at least a quarterly basis, then according to the Bylaws the chairman and/or the chief executive officer must report in writing on his or her activities to the chairman of the Board of Statutory Auditors within three months. This report must be mentioned in the minutes of the first subsequent meeting of the Board of Statutory Auditors.

During the year ended 31 December 2008, the Board of Directors held 14 meetings (on 7 January, 24 January, 7 February, 21 March, 16 April, 14 May, 12 June, 27 June, 30 July, 27 August, 18 September, 23 October, 13 November, and 11 December), duly attended by the directors and by a member of the Board of Statutory Auditors. The absentee rate was quite low and all absences were excused.

Some meetings of the Board of Directors were attended by Company executives or external parties, when deemed appropriate, so they could provide specialized input on the topics up for debate.

## **BOARD COMMITTEES**

### **COMPENSATION COMMITTEE**

At the Board meeting of 21 March 2008, in accordance with Art. 7.P.E. of the Code, the Board of Directors resolved to form a Compensation Committee.

The Compensation Committee is comprised of three non-executive, independent directors currently in the persons of Riccardo Sabadini, also appointed Chairman, Sergio Santi and Francesco Gentili.

The Compensation Committee submits proposals to the Board for the compensation of directors and management of the company and its related parties which reflect standards of fairness and compensation which will both remunerate and motivate the personnel in possession of the professional deemed useful to the success of the Company and its affiliates. The Compensation Committee met twice in 2008.

### **THE NOMINATION COMMITTEE**



At the Board meeting of 18 September 2008, the Board of Directors resolved to form a Nomination Committee comprised of three directors in the persons of Mauro Bini, Stefano Pozzoli, independent directors, and Claudio Alberini, a non-executive director.

The Nomination Committee submits proposals regarding the optimal composition of the Board of Directors, Company management and selection of directors, statutory auditors and management for subsidiaries held to be of strategic importance in order to guarantee an adequate level of separation between directors and management. The Nomination Committee is also called upon to express opinions with regard to the type of Administrative Body (single party or board), the number of members and the candidates to be presented for director and statutory auditor, as well as Chairman, Vice-Chairman and General Manager (and/or Chief Executive Officer) of subsidiaries and affiliates.

The Nomination Committee met twice in 2008.

## **EXECUTIVE COMMITTEE**

At the Board meeting of 18 September 2008, the Board of Directors resolved to form an Executive Committee comprised of the Chairman, the Vice Chairman and the Chief Executive Officer, respectively Gilberto Coffari, Sergio Costalli and Filippo-Maria Carbonari, as well as directors Roberto Zamboni and Sergio Santi, who is independent.

The Executive Committee assists in determining the development policies, along with the strategic and operational guidelines, to be submitted to the Board of Directors and oversees the correct implementation of same and is also called upon to express opinions regarding the strategically relevant development and investment transactions to the extent that the latter have a significant impact on the value or composition of the company's assets or the stock price.

In 2008 the Executive Committee met on 22 October, 10 November and 10 December.

## **The Compensation System**

### **COMPENSATION SYSTEM (ART. 5 AND ART. 7 OF THE CORPORATE GOVERNANCE CODE)**

Pursuant to Art. 25 of the Bylaws, the members of the Board of Directors receive fees in the amount determined by the shareholders' meeting. The shareholders' resolution, once taken, is also valid for subsequent years until otherwise determined.

The Board of Directors, after consulting the statutory auditors, establishes the compensation for directors with particular responsibilities, including the chairman.

The duties of the newly formed Compensation Committee, in accordance with Art. 2.2.3 of the Market Regulations, are summarized below:

- to submit proposals to the Board for the compensation of executive directors and other directors with particular responsibilities, and to ensure that the Board's decisions are complied with;
- to submit opinions to the Board regarding the general criteria to be used in determining the compensation to be granted the General Manager and other top Company managers;
- to submit opinions to the Board regarding the compensation of the Chairmans, Vice Chairmans and General Managers (and/or Chief Executive Officers) of the subsidiaries deemed strategic based on the proposals submitted by the Chairman and the Parent Company's Chief Executive Officer;
- to submit opinions to the Board regarding the overall compensation to be granted the Board members of the subsidiaries and affiliates.

## **Internal Audit System and the Internal Audit Committee**

### **THE INTERNAL AUDIT SYSTEM (ART. 8 OF THE CORPORATE GOVERNANCE CODE)**

The internal audit system is the set of rules, procedures and organizational structures that allow the sound and correct

management of the business in keeping with the Company's objectives, by way of the identification, measurement, management and monitoring of business risks.

An effective internal audit system helps to safeguard the Company's assets, make transactions efficient and successful, and ensure the reliability of financial information and compliance with laws and regulations.

The Board of Directors shall exercise its functions relating to the internal audit system taking into due consideration the reference models and the international best practices. Toward this end, the Board relies on both the Internal Audit Committee and Internal Audit of which the Head of Internal Audit is part.

With regard specifically to the evaluation of the internal system in 2008 the Board, based on the evaluation of the Internal Audit Committee, evaluated the overall adequacy of the internal audit system.

#### **THE INTERNAL AUDIT COMMITTEE (ART. 8 OF THE CORPORATE GOVERNANCE CODE)**

The Internal Audit Committee was established by the Board of Directors in accordance with the Rules for Corporate Governance and the Corporate Governance Code.

The Internal Audit Committee is made up of three non-executive directors, two of whom are independent, in the persons of Aristide Canosani, Massimo Franzoni and Leonardo Caporioni.

The Board of Directors considers Leonardo Caporioni to have sufficient accounting and financial experience.

The Board of Directors named Chief Executive Officer Filippo-Maria Carbonari as the executive director in charge of supervising the proper functioning of the internal control system, as required by the Corporate Governance Code.

As recommended by Mr. Carbonari and after consulting the Internal Audit Committee, the Board of Directors appointed the head of internal audit from within the Internal Audit department, outsourced to the company Unilab.

The Internal Audit Committee, in addition to assisting the Board of Directors on the matters above:

- a) reports to the Board of Directors at least every six months, when the annual and interim reports are approved, on the work performed and the adequacy of the internal audit system;
- b) prepares two memos on the Company's related party transactions during the period—one to be published as part of the directors' announcement of the approval of the draft full year financial statements and the other regarding approval of the half-year report—including comments on whether such transactions are in the Company's interests, how the prices were determined, and the fairness of such prices with respect to going market rates;
- c) examines in advance any related party transactions falling under the competence of the Board of Directors, and forms non-binding opinions for the Board;
- d) judges the proper use of the accounting standards and their uniformity for purposes of the consolidated financial statements, together with the financial reporting officer (when appointed) and the external auditors;
- e) at the request of the executive director in charge, expresses opinions on specific aspects concerning the identification of business risks and on the planning, realization and management of the internal audit system;
- f) evaluates the plan of work and periodic reports prepared by the internal audit officers;
- g) evaluates accounting firm's bids for the external auditing assignment, and reviews the external auditing plan and the auditors' reports and recommendations;
- h) monitors the external auditing process;

i) performs additional tasks as assigned by the Board of Directors.

The chairman of the Board of Statutory Auditors or another auditor designated thereby participates in the work of the Internal Audit Committee.

In 2008 the Internal Audit Committee met six times, on 20 March, 14 May, 30 July, 7 August, 22 October and 12 November.

#### **FINANCIAL AND ADMINISTRATIVE REPORTING OFFICER**

Art. 23.5 of the Bylaws, in compliance with Art. 154-bis of the TUF, requires the Board of Directors (with input from the Board of Statutory Auditors) to appoint a financial reporting officer and describes the qualifications this person must have.

On 5 July 2007, after receiving a favourable opinion from the statutory auditors, the Board of Directors appointed Grazia Margherita Piolanti as the financial reporting officer for an indefinite period and invested her with responsibilities, powers and means.

The Financial Reporting Officer has access to adequate administrative and accounting procedures in order to draft the separate and, where provided for, the consolidated financial statements as well as all other financial documents.

In this regard, in 2008 the firm Deloitte was appointed to evaluate the current accounting procedures used in drafting the separate and consolidated financial statements.

#### **EXECUTIVE DIRECTOR RESPONSIBLE FOR INTERNAL AUDIT**

Pursuant to Art. 8.C.1., lett. b) of the Code in 2007 the Board, assisted by the Internal Audit Committee, appointed the Chief Executive Officer to act as executive director responsible for internal controls and to perform the duties described in point 8.C.5. of the Code – supported by the Internal Audit Committee and the Head of Internal Audit – and also granted him the amplest of powers in order to guarantee full compliance with the Code.

#### **HEAD OF INTERNAL AUDIT**

In 2007 the Board, after consulting with the Internal Audit Committee and as per the recommendation of the Executive Director, appointed the head of internal control from within the Internal Audit department, outsourced to the company Unilab insofar that this choice was viewed as the most cost efficient and effective given the independent nature and expertise of the candidate.

The head of internal audit prepares a plan of work for the audit activities and monitors the internal audit system. In order to do so the officer has access to all useful information. More in detail, the officer verifies that the rules and procedures adopted by the Company in order to reach its objectives are complied with and that the company structures are adequate. The officer also reports periodically to the Internal Audit Committee and to the Supervisory Body.

As the Head of Internal Audit is part of the company assigned to perform the internal audit the former receives no compensation as it is included in the fees paid to the latter company.

#### **THE ORGANIZATIONAL MODEL (ART. 8 OF THE CORPORATE GOVERNANCE CODE)**

In 2006, the Internal Audit System was also implemented through the adoption of an Organizational Model, approved by the Board of Directors on 12 May 2006.

The Organizational Model aims to ensure compliance with Legislative Decree 231/2001, which instituted corporate liability for legal offenses committed by top management or their subordinates.

The Organizational Model is completed by the formation of a Compliance Committee with independent powers of initiative and control, which oversees the functioning of and compliance with the Model and makes sure it is kept up-to-date.

The Compliance Committee is currently made up of independent director Fabio Carpanelli, who serves as chairman, and by independent directors Sergio Santi and Francesco Gentili. In 2008 it met four times, on 21 March, 12 June, 30 July and 5 November.

#### **TREATMENT OF CORPORATE INFORMATION (ART. 4 OF THE CORPORATE GOVERNANCE CODE)**

The Corporate Governance Code requires directors and statutory auditors to keep confidential the documents and information obtained during the course of their duties and to follow the procedure the company has adopted for the internal management and disclosure to third parties of such data.

In this regard, the Company adopted an internal procedure for the secure, confidential management and disclosure of privileged ("price sensitive") information .

The procedure also aims to prevent such information from being disclosed selectively (i.e. divulged ahead of time to certain parties, such as shareholders, reporters or analysts), or in an untimely, incomplete or inadequate manner.

#### **CODE OF CONDUCT FOR INTERNAL DEALING**

In accordance with Art. 114, paragraph 7 of Legislative Decree 58 of 24 February 1998, as amended (the "Consolidated Finance Act" or TUF), and with the implementation provisions found in Arts. 152-sexies et seq. of the CONSOB regulations approved with Resolution 11971 of 14 May 1999, as amended (the "Regulations for Issuers"), on 14 December 2006 and with effect from 1 January 2007 the Board of Directors adopted a procedure governing mandatory notification and conduct on the subject of transactions carried out by relevant persons and parties closely related to such persons on the Company's shares or on related financial instruments.

The code of conduct is available at [www.gruppoigd.it](http://www.gruppoigd.it) in the Investor Relations section.

#### **DIRECTORS' INTERESTS AND RELATED PARTY TRANSACTIONS (ART. 9 OF THE CORPORATE GOVERNANCE CODE)**

On the subject of related party transactions, on 14 February 2007 the Board of Directors, supplementing the guidelines and criteria for the identification of significant and related party transactions, approved the adoption of specific standards of conduct governing the main substantial and procedural aspects of such transactions. The standards also apply to transactions outside the exclusive competence of the Board of Directors, and are briefly described below.

Related party transactions are managed according to particular standards of substance and procedure. The definition of "related parties" is that contained in the International Accounting Standard for related party disclosures (IAS 24), adopted according to the procedure stated in Art. 6 of Regulation (EC) No. 1606/2002.

For the purposes of these standards, typical or common transactions and those to be settled under arm's-length conditions are not treated as related party transactions.

Typical or common transactions are those which, by object or kind, are not extraneous to the normal course of business, as well as transactions that are not problematic due to their characteristics and risk profile.

Transactions settled under arm's-length conditions are those whose terms do not differ significantly from those usually applying to business with unrelated parties.

In the event of related party transactions falling under the exclusive competence of the Board of Directors, the Board must receive sufficient information on the nature of the relationship, the means of executing the transaction, the timing and economic conditions, the evaluation procedure followed, the rationale for the transaction, and any risks for the Company.

Once suitably informed by the deputized parties and providing it finds the transaction appropriate in consideration of its nature, amount and other characteristics (pursuant to Art. 9 of the Corporate Governance Code), the Board may require that the transaction be concluded with input from one or more experts who will evaluate the economic conditions and/or means of execution/technique. Such experts must be of acknowledged experience and skill, and their independence and lack of personal interest in the transaction must be verified.

In the choice of such experts (banks, accounting firms, law firms, or other skilled professionals), the Board will carefully evaluate their independence, considering—in the most significant cases—the use of different experts for each related party.

Directors who have an even potential or indirect interest in a related party transaction must inform the Board in advance, providing details of the situation. On a case-by-case basis, depending on the information provided by the director and bearing the Board's responsibilities in mind, the Board will decide whether to ask the director: (i) to leave the room before discussion begins and until the resolution is taken; or (ii) to abstain from the vote.

#### **INVESTOR RELATIONS (ART. 11 OF THE CORPORATE GOVERNANCE CODE)**

The Company strives to maintain a constant dialogue with its shareholders and investors based on an understanding of mutual roles, and regularly organizes meetings with the Italian and international financial community in full compliance with laws on price-sensitive information.

The Board of Directors has thus appointed an Investor Relations Manager, and set up a dedicated unit and a section on the Company's website ([www.gruppoigd.it](http://www.gruppoigd.it)).

In this section, investors can download a complete range of documents regarding IGD's accounts and corporate governance.

#### **SHAREHOLDERS' MEETINGS**

Pursuant to Art. 10.3 of the Bylaws, the protocol for shareholders' meetings is formalized in a set of Regulations, approved by the shareholders in ordinary session.

The current regulations, approved by the shareholders on 26 March 2003 and available in the Investor Relations section at [www.gruppoigd.it](http://www.gruppoigd.it), aims to ensure orderly, effective meetings by governing the various phases in which they take place, in accordance with each shareholder's fundamental right to ask for clarification, express opinions and formulate proposals.

#### **THE STATUTORY AUDITORS (ART. 10 OF THE CORPORATE GOVERNANCE CODE)**

Pursuant to Art. 26.2 of the Bylaws, members of the Board of Statutory Auditors are elected on the basis of preference lists that must be filed at the registered office along with declarations in which each candidate states that he/she is not in violation of the limits for multiple assignments provided for under the law, as well as detailed information about each candidate's personal and professional background, at least twenty days in advance of the shareholders' meeting called for this purpose.

According to Art. 16 of the Bylaws, the following procedure applies:

1. from the list obtaining the highest number of votes, two standing auditors and one alternate auditor will be taken in the order in which they appear on the list;
2. the third standing auditor and the second alternate auditor are drawn from the list with the second highest number of votes, in the order in which they appear.
3. In the event of a tie between lists, a new ballot is held between these lists on which all shareholders present at the meeting shall vote. The candidates on the list winning a simple majority of votes are elected.

The first candidate on the minority list with the second highest number of votes will be appointed Chairman of the Statutory Auditors.

Candidates for statutory auditor must meet the requirements set by law. For the purposes of judging the qualifications of those with at least three years' experience in:

- (a) professional activities or as confirmed university professors in law, economics, finance or technical-scientific subjects closely related to the Company's business;
- (b) management roles at public bodies or public administrations in sectors closely related to the Company's business, the following rules apply:
  - all subjects per letter a) above that are associated with the real estate business or other sectors pertaining to real estate are considered to be closely related to the Company's business;
  - sectors pertaining to real estate are those in which the parent companies operate, or those that may be controlled by or associated with companies operating in the real estate business.

Those whose situations are incompatible with the title and/or who do not satisfy the requirements of integrity and qualification established by law, and those who are standing auditors at more than five companies listed on official Italian markets, may not be elected as statutory auditors and, if elected, lose office. Positions held at parent companies, subsidiaries, or affiliates do not apply.

The Board of Statutory Auditors appointed during the Shareholders' Meeting held on 28 April 2006, is comprised of three standing and two alternate auditors: Romano Conti (Chairman), who appeared on the minority list, Roberto Chiusoli (standing auditor), who appeared on the majority list, Franco Gargani (standing auditor), who appeared on the majority list, Isabella Landi (alternate auditor), who appeared on the majority list, and Andrea Parenti (alternate auditor), who appeared on the majority list. The latter was appointed by the shareholders during the meeting held on 23 April 2007 to replace outgoing member Andrea De Lucia.

In accordance with Art. 148, para. 2 bis of the TUF, as amended by the Investor Protection Law, the chairman of the Board of Statutory Auditors is appointed by the shareholders from among the auditors elected by the minority. Thus, in the election of the current Board of Statutory Auditors, the Company did not follow Arts. 26.4 and 26.5 of the By-laws—as revised by the extraordinary shareholders' meeting of 23 April 2007—which state that the chairman is the first candidate on the list receiving the second highest number of votes.

In 2008 the Board of Statutory Auditors met six times on 5 March, 5 April, 23 May, 29 May, 30 July and 30 October. Additional meetings were held specifically with the Company's management, with external auditors, and with the Internal Control Committee.

In accordance with the Corporate Governance Code, the Board of Statutory Auditors has confirmed the adequacy of the criteria and procedures used by the Board of Directors to review the independent status of its members.

The Board of Statutory Auditors supervises the work of the external auditors. The extraordinary shareholders' meeting of 23 April 2007 voted to amend Art. 27.2 of the Bylaws, to state that the external auditing assignment be granted by the ordinary shareholders' meeting at the recommendation of the statutory auditors.

The following table lists the statutory auditors in office.

**Table 2**

<b>Title</b>	<b>Name and Surname</b>
Chairman	Romano Conti
Standing Auditor	Roberto Chiusoli
Standing Auditor	Franco Gargani
Alternate auditor	Isabella Landi
Alternate auditor	Andrea Parenti

**Table 3 List of offices held**

<b>Name</b>	<b>Title at IGD</b>	<b>Offices - 2009</b>
GILBERTO COFFARI	Chairman (non-executive)	<ul style="list-style-type: none"> <li>• UNIPOL GRUPPO FINANZIARIO spa, Bologna, Director;</li> <li>• COOP ADRIATICA scarl, Castenaso (BO), Chairman of the BoD, General Manager;</li> <li>• UNIPOL BANCA spa, Bologna, Director and Vice Chairman;</li> <li>• UNIPOL MERCHANT spa, Bologna, Director;</li> <li>• CENTRALE ADRIATICA s. c.a.r.l., Modena (MO), Director;</li> <li>• FEDERCOOP NULLO BALDINI SOC. COOP, Ravenna, Director;</li> <li>• FEDERAZIONE DELLE COOPERATIVE DELLA PROVINCIA DI RAVENNA, Ravenna, Director;</li> <li>• HOLMO S.P.A., (BO), Director.</li> </ul>
SERGIO COSTALLI	Vice Chairman (non-executive)	<ul style="list-style-type: none"> <li>• UNICOOP TIRRENO s.coop., Livorno, Vice Chairman and CEO;</li> <li>• UNIPOL GRUPPO FINANZIARIO spa, Bologna, Director;</li> <li>• UNIPOL ASSICURAZIONI spa, Bologna, Director;</li> <li>• UNIPOL MERCHANT spa, Bologna, Director;</li> <li>• FINSOE spa, Bologna, Director;</li> <li>• HOLMO spa, Bologna, Director,</li> <li>• IPERCOOP TIRRENO spa, Livorno, Director;</li> <li>• GESTINCOOP srl, Livorno, Director;</li> <li>• VIGNALE IMMOBILIARE spa, Grosseto (GR).</li> </ul>
		<ul style="list-style-type: none"> <li>• CORTICELLA MOLINI E PASTIFICI spa, Bologna,</li> </ul>

<p>FILIPPO MARIA CARBONARI</p>	<p>Chief Executive Officer</p>	<p>Director;</p> <ul style="list-style-type: none"> <li>• FINANZIARA BOLOGNESE- FI.BO spa, Bologna, Director;</li> <li>• FORTE DI BRONDOLO soc. consortile, Castenaso, Chairman;</li> <li>• PORTA MEDICEA srl, Livorno, Director;</li> <li>• CFG srl, Pesaro, Receiver;</li> <li>• MILLENNIUM GALLERY srl, Ravenna, Sole Director;</li> <li>• IMMOBILIARE LARICE srl, Ravenna, Chairman;</li> <li>• NIKEFIN ASTI srl, Ravenna (RA), Sole Administrator Unico.</li> <li>• WINMAGAZINE S.a. Bucharest- Romania, Chairman;</li> </ul>
<p>CLAUDIO ALBERTINI</p>	<p>Director (non-executive)</p>	<ul style="list-style-type: none"> <li>• CEFLA SERVICE spa, Imola, Standing Auditor;</li> <li>• COOPERLEASING spa, Bologna, Director;</li> <li>• EARCHIMEDE spa, Brescia, Vice Chairman;</li> <li>• FI.BO spa, Bologna, Director;</li> <li>• FIN.PA.S. spa, Florence, Director;</li> <li>• NOMISMA spa, Bologna, Director;</li> <li>• PEGASO FINANZIARIA spa, Bologna, Director;</li> <li>• PROTOS spa, Rome, Director;</li> <li>• SOFINCO spa, Modena, Director;</li> <li>• UNIPOL PRIVATE EQUITY SGR spa, Bologna, Director.</li> <li>• HOTEL VILLLAGGIO CITTA' DEL MARE S.p.A., Terrasini (PA), Chairman.</li> </ul>
<p>MAURO Bini</p>	<p>Independent director</p>	<ul style="list-style-type: none"> <li>• ITALMOBILIARE spa. – Director</li> <li>• ARCA SGR SPA, Milano, Director</li> <li>• WMETRICS SGR, Milano, Sole Administrator</li> </ul>
<p>ARISTIDE CANOSANI</p>	<p>Independent director</p>	<ul style="list-style-type: none"> <li>• UNICREDIT BANCA spa, Bologna, Chairman of the Board of Directors;</li> <li>• CARIMONTE HOLDING spa, Bologna, Director;</li> <li>• CNP UNICREDIT VITA spa, Milan, Director;</li> <li>• FONDAZIONE FANTI MELLONI, Bologna, Director.</li> <li>• CREDITRAS VITA, Chairman;</li> <li>• CREDITRAS ASSICURAZIONI, Chairman;</li> <li>• AVIVA S.p.A., Director;</li> <li>• COOP ADRIATICA scarl, Castenaso (BO), Director.</li> </ul>
<p>LEONARDO CAPORIONI</p>	<p>Director (non-executive)</p>	<ul style="list-style-type: none"> <li>• COOPFOND spa, Rome, Director;</li> <li>• TIRRENO LOGISTICA srl, Vignale Ritorno (LI), Vice Chairman;</li> <li>• IMMOBILIARE SVILUPPO DELLA COOPERAZIONE spa, Livorno, Vice Chairman;</li> <li>• COMPAGNIA FINANZIARIA ED IMMOBILIARE spa,</li> </ul>



		<p>Livorno, Chairman of the Board of Statutory Auditors.</p> <ul style="list-style-type: none"> <li>• COOPERATIVE SVILUPPO S.p.A., Director;</li> <li>• VIGNALE IMMOBILIARE S.p.A., Director;</li> <li>• COOPERATIVA LAVORATORI delle COSTRUZIONI s.c.(CLC s.c), Director;</li> <li>• MIMOSA S.p.A., Alternate Auditor.</li> </ul>
FABIO CARPANELLI	Independent director	<ul style="list-style-type: none"> <li>• MANUTENCOOP FACILITY MANAGEMENT S.p.A., Chairman Supervisory Board;</li> <li>• Portamedicea s.r.l., Livorno, Chairman</li> <li>• AUTOSTAZIONE DI BOLOGNA spa, Bologna, Chairman</li> </ul>
MASSIMO FRANZONI	Independent director	<ul style="list-style-type: none"> <li>• CARIMONTE HOLDING spa, Bologna, Director;</li> <li>• UNIPOL GRUPPO FINANZIARIO spa, Bologna, shareholders' representative.</li> </ul>
FRANCESCO GENTILI	Independent director	<ul style="list-style-type: none"> <li>• BANCA DELLA MAREMMA CREDITO COOPERATIVO DI GROSSETO, Grosseto (GR), Director;</li> </ul>
FERNANDO PELLEGRINI	Director (non-executive)	<ul style="list-style-type: none"> <li>• SIMGEST SpA, Director and member of the Executive Committee</li> <li>• SO.GE.FIN Srl, Chairman</li> <li>• TIRRENO FINANZIARIA Srl, Chairman and CEO</li> </ul>
STEFANO POZZOLI	Independent director	<ul style="list-style-type: none"> <li>• IL PINO spa, Firenze (FI) Director.</li> </ul>
RICCARDO SABADINI	Independent director	<ul style="list-style-type: none"> <li>• COOPOLIS SPA, Ravenna (RA), Director</li> <li>• DINAZZANO PO SPA, Reggio Emilia (RE), Director</li> <li>• PORTO INTERMODALE RAVENNA SPA, SAPIR, Ravenna (RA), Director</li> </ul>
SERGIO SANTI	Independent director	<ul style="list-style-type: none"> <li>• ECOLOGIA AMBIENTE srl, Ravenna, Standing Auditor;</li> <li>• GALSI spa, Milan, Standing Auditor;</li> <li>• HERACOMM srl, Imola (BO), Standing Auditor;</li> <li>• HERA LUCE srl, San Mauro Pascoli (FC), Standing Auditor;</li> <li>• HERA RETE MODENA srl, Modena, Standing Auditor;</li> <li>• HERA TRADING srl, Imola (BO), Standing Auditor;</li> <li>• SET spa, Milan, Standing Auditor;</li> <li>• UNIFLOTTE srl, Bologna, Standing Auditor;</li> <li>• GASTECNICA GALLIERA srl, Bologna, Standing Auditor;</li> <li>• MODENA NETwork spa, Modena, Standing Auditor;</li> <li>• AMBIENTE MARE spa, Ravenna, Alternate Auditor;</li> <li>• ARES spa consortile, Bologna, Alternate Auditor;</li> <li>• MEDEA spa Unipersonale, Sassari, Alternate Auditor;</li> </ul>

		<ul style="list-style-type: none"> <li>• FERONIA srl, Finale Emilia (MO), Alternate Auditor;</li> <li>• FRULLO ENERGIA AMBIENTE srl, Bologna, Alternate Auditor;</li> <li>• GAL A spa, Bologna, Alternate Auditor;</li> <li>• ROMAGNA COMPOST srl, Cesena (FC), Alternate Auditor;</li> <li>• ERIS Soc. Cons. a r.l., Ravenna, Alternate Auditor;</li> <li>• HERA ENERGIE BOLOGNA srl, Bologna, Alternate Auditor;</li> <li>• SINERGIA srl, Forlì (FC), Alternate Auditor;</li> <li>• FAMULA ON-LINE S.p.A, Bologna, Alternate Auditor;</li> <li>• FONDAZIONE CASSA DI RISPARMIO DI IMOLA, Imola (BO), Chairman of the Board of Directors;</li> <li>• AMGC spa, Genoa, Director;</li> <li>• WIMAXER S.p.A., Chairman of the Board of Statutory Auditors;</li> <li>• HERA ENERGIE RINNOVABILI S.p.A., Standing Auditor</li> <li>• HERA S.p.A., Chairman of the Board of Statutory Auditors;</li> <li>• HERA COMM MEDITERRANEA srl, Alternate Auditor;</li> <li>• HERA COMM MARCHE srl, Alternate Auditor;</li> <li>• RECUPERA srl, Alternate Auditor;</li> <li>• CONSORZIO ENERGIA SERVIZI BOLOGNA, Alternate Auditor;</li> <li>• ECOSFERA srl, Alternate Auditor.</li> </ul>
ROBERTO ZAMBONI	Director (non-executive)	<ul style="list-style-type: none"> <li>• FAENZA SVILUPPO AREA MARCUCCI srl, Villanova (BO), Chairman of the Board of Directors, Director;</li> <li>• INRES – ISTITUTO NAZIONALE CONSULENZA, PROGETTAZIONE, INGEGNERIA s.coop., Sesto Fiorentino (FI), Director;</li> <li>• UNAGRO spa, Ravenna, Director;</li> <li>• INIZIATIVE BOLOGNA NORD srl, Casalecchio di Reno (BO), Director;</li> <li>• FORUM srl, Forlì (FO), Director.</li> </ul>