



AUTOGRILL S.P.A.

## CORPORATE GOVERNANCE AND OWNERSHIP REPORT

pursuant to art. 123 bis TUF

(traditional administration and control model)

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Website: [www.autogrill.com](http://www.autogrill.com)

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## CONTENTS

<b>1. PROFILE OF ISSUER</b> .....	<b>5</b>
<b>2. INFORMATION on OWNERSHIP (ex art. 123 bis TUF) at 4 March 2010</b> .....	<b>7</b>
a) <i>Structure of share capital (ex art. 123-bis, clause 1a, TUF)</i> .....	7
b) <i>Restrictions on transfer of securities (ex art. 123-bis, clause 1b), TUF</i> .....	7
c) <i>Relevant shareholdings (ex art. 123-bis, clause 1c, TUF)</i> .....	7
d) <i>Securities conferring special rights (ex art. 123-bis, clause 1d, TUF)</i> .....	8
e) <i>Employee shareholders: mechanism for exercising voting rights (ex art. 123-bis, clause 1e), TUF</i> .....	8
f) <i>Restrictions on voting rights (ex art. 123-bis, clause 1f, TUF)</i> .....	8
g) <i>Shareholder agreements (ex art. 123-bis, clause 1g, TUF)</i> .....	9
h) <i>Change of control clauses (ex art. 123-bis, clause 1h, TUF)</i> .....	9
i) <i>Mandates to increase the share capital and authorizations to trade in treasury shares (ex art. 123-bis, clause 1m, TUF)</i> .....	9
l) <i>Direction and co-ordination (ex art. 2497 and subs., Civil Code)</i> .....	10
<b>3. COMPLIANCE</b> .....	<b>10</b>
<b>4. BOARD OF DIRECTORS</b> .....	<b>10</b>
4.1. <i>APPOINTMENT AND SUBSTITUTION (ex art. 123-bis, clause 1l, TUF)</i> .....	10
4.2. <i>COMPOSITION</i> .....	13
4.3. <i>ROLE OF THE BOARD OF DIRECTORS</i> .....	19
4.4. <i>COMPANY OFFICERS</i> .....	22
4.5. <i>OTHER EXECUTIVE DIRECTORS</i> .....	23
4.6. <i>INDEPENDENT DIRECTORS</i> .....	24
4.7. <i>LEAD INDEPENDENT DIRECTOR</i> .....	25
<b>5. TREATMENT OF CORPORATE INFORMATION</b> .....	<b>25</b>
<b>6. BOARD OF DIRECTORS' COMMITTEES</b> .....	<b>26</b>
<b>7. APPOINTMENTS COMMITTEE</b> .....	<b>27</b>
<b>8. HUMAN RESOURCES COMMITTEE</b> .....	<b>27</b>
<b>9. DIRECTORS' REMUNERATION</b> .....	<b>29</b>
<b>10. INTERNAL CONTROL COMMITTEE</b> .....	<b>30</b>
<b>11. INTERNAL CONTROL SYSTEM</b> .....	<b>33</b>

11.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL SYSTEM.....	39
11.2. PERSON RESPONSIBLE FOR INTERNAL CONTROL.....	39
11.3. ORGANIZATION MODEL pursuant to legislative decree 231/2001.....	40
11.4. AUDIT FIRM.....	42
11.5. MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS.....	42
<b>12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS.....</b>	<b>43</b>
<b>13. APPOINTMENT OF STATUTORY AUDITORS .....</b>	<b>44</b>
<b>14. STATUTORY AUDITORS.....</b>	<b>45</b>
<b>15. INVESTOR RELATIONS .....</b>	<b>47</b>
<b>16. SHAREHOLDERS' MEETINGS (ex art. 123-bis, clause 2c, TUF).....</b>	<b>48</b>
<b>17. OTHER CORPORATE GOVERNANCE PRACTICES .....</b>	<b>50</b>
<b>18. CHANGES AFTER THE CLOSE OF 2009 .....</b>	<b>50</b>
<b>TABLES.....</b>	<b>51</b>
TABLE 1: STRUCTURE OF BOARD OF DIRECTORS AND ITS COMMITTEES.....	51
TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS .....	53

## GLOSSARY

**Autogrill:** Autogrill S.p.A.

**Board of directors:** the board of directors of Autogrill S.p.A.

**Board of statutory auditors:** the board of statutory auditors of Autogrill S.p.A.

**By-Laws:** Autogrill S.p.A.'s by-laws as approved on 24 April 2007 and lastly amended on 21 January 2009.

**Code of Ethics:** Autogrill Group's **Code of Ethics** approved by the board of directors on 6 November 2002, as amended on 12 November 2003.

**Human Resources Committee:** an Autogrill Board committee set up on 23 April 2008.

**CONSOB:** *Commissione Nazionale per le Società e la Borsa* [equivalent of the SEC].

**Corporate Governance Code:** the **Corporate Governance Code** for listed companies drawn up by the Corporate Governance Committee of Borsa Italiana S.p.A. and promulgated by the latter, March 2006 edition.

**Group:** Autogrill S.p.A. and its subsidiaries and associates pursuant to §2359, Civil Code and §93, Legislative Decree 58/1998.

**Internal Control and Corporate Governance Committee:** an Autogrill Board committee set up on 23 April 2008.

**Issuers' Regulations:** the rules implementing Legislative Decree 58/98, on issuers, approved by CONSOB in resolution 11971 dated 14 May 1999 (as subsequently amended).

**Model:** The model for organisation, management and control required by Legislative Decree 231/2001 ("Legal liability of legal persons, companies and associations including those without legal personality, pursuant to §11, Law 29 September 2000, no. 300), adopted by Autogrill's board of directors on 9 July 2003 as amended and supplemented by the board of directors on 27 June 2006, 11 September 2007, 9 July 2008, 20 February 2009 and 16 December 2009.

**Manager charged with preparing the Company's financial reports:** the Manager charged with preparing the Company's financial reports appointed by Autogrill's board of directors on 27 August 2008, as required by §154-bis, Legislative Decree 58/1998, introduced by Law 262/2005, and by §18 of the by-laws.

**O.D.V.:** the Supervisory Body charged with exercising control over the functioning of and compliance with the Model, set up by Autogrill's board of directors on 9 July 2003 pursuant to Legislative Decree 231/2001. Currently comprises an economics and finance expert and the heads of Group Internal Audit and Group Organization Development.

**Report:** this report on corporate governance and ownership structures, drawn up pursuant to §123-bis, Legislative Decree 58/1998.

**Savings Act:** Law 262/2005 ("Rules for the Protection of Savings and the Ordering of Financial Markets").

**T.U.F.:** Legislative Decree 58/98 (Consolidated Regulations for Financial Intermediation pursuant to §§8 and 21 Law 52/96) commonly known as the "*Testo Unico della Finanza*".

# 1. PROFILE OF ISSUER

## Introduction

*Autogrill is the world's leading provider of travel catering and retail services for people on the move.*

Autogrill Group is the world's leading provider of travel catering and retail services and one of Italy's most internationalized companies. Autogrill S.p.a. is the parent of a complex business operating in 43 countries across five continents and has around 67,000 employees<sup>1</sup>. The corporate mission is to offer quality restaurant and retail services to people on the move with the aim of generating value for all stakeholders while showing due respect for cultural diversity and the natural environment. Extremely rapid growth has made it all the more necessary to evolve common rules of conduct and values to be shared by all Group staff: "loyalty, legality and fairness". These are explained in the Code of Ethics and are the three principles on which Autogrill bases all its relations and its operating performance, inside and outside the business. Accordingly, the Code of Ethics is adopted by all Group companies and distributed to all employees.

## The Corporate Governance System

*The Corporate Governance system is based on the principles of the Corporate Governance Code for Listed Companies and on international best practice.*

Autogrill bases its Corporate Governance system on the principles laid down in the Corporate Governance Code for Listed Companies and, more generally, on international best practice applied according to the complexity of the Company's organization and business.

## Corporate Organization

*Autogrill's corporate organization is the traditional one:*

Autogrill's corporate organization is the traditional one: (i) General Meeting of the Shareholders; (ii) board of directors, which elects a chairman and a CEO; (iii) board of statutory auditors. Alongside these corporate bodies are the audit firm, the Manager charged with preparing the Company's financial reports, the Internal Control and Corporate Governance Committee, the Human Resources Committee, the Officer in charge of internal control and the Supervisory Body provided for by Legislative Decree 231/2001. The accounts are audited by KPMG S.p.A.

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<sup>1</sup> The data in the profile are as of 31<sup>st</sup> December 2009.

## **Operational Organization**

*The operational organization reflects the multinational character of the Group*

The operational organization reflects the multinational and multi-sector character of the Group's business.

Reporting to the CEO of the Group holding company are the Business Leaders (Leadership Team) responsible for the three business sectors (Food & Beverage, Retail and Flight) in the various geographical regions, and the Group's policy making and control functions (Corporate Functions). Responsibility for the Group's businesses across the regions may be summarized as follows:

1. Food & Beverage North America & Far East, operated through HMSHost and subsidiaries
2. Food & Beverage Italia, operated by Autogrill SpA and subsidiaries
3. Food & Beverage Europe, operated by the legal entity in each country
4. Retail Spain & International, operated by Aldeasa and relative subsidiaries
5. Retail UK, operated by Autogrill Retail UK
6. Flight, operated by Alpha Flight Group Ltd and subsidiaries

The Corporate Functions provide co-ordination and guidance in various fields, thus facilitating the definition of Group standards and policy and diffusion of best practices, and guaranteeing co-ordination of Group-wide projects.

## **Code of Ethics**

*Autogrill has had a Code of Ethics since 2002*

Meeting on 6 November 2002, the board of directors approved Autogrill Group's Code of Ethics (hereafter the "Code of Ethics"), which was subsequently modified on 12 November 2003. It details the principles and values underlying the conduct required of all members of the organization.

The Code of Ethics was introduced gradually, and where necessary adapted, by all Group entities. It indicates goals and values for the main stakeholders with which Group companies interact.

The principles contained in the Code of Ethics are an addition to the general duties of legality, loyalty, fairness and exact performance of employment contracts. Observance of the rules of the Code of Ethics is a duty deriving from the employer-employee relationship, with consequential contractual and legal implications.

To ensure effectiveness and its obligatory nature, the Code was published on the Company's website ([www.autogrill.com](http://www.autogrill.com)) and on company notice-boards; it is also given to all new recruits and collaborators starting from the selection process and distributed to all parties with a relationship with the Group.

## Sustainability Report

*Autogrill also dialogues with its stakeholders through its Sustainability Report*

Early in 2010, the Company published its 2009 Sustainability Report (hereafter the "Report"), which was certified by the auditing firm KPMG S.p.a. The Report aims to facilitate systematic dialogue with stakeholders on corporate social responsibility and sustainable development, and to share and spread a sustainability culture throughout the enterprise.

In developing its sustainability policy, Autogrill has decided to discontinue publication of the hardcopy version and transfer its content to the hardcopy version downloadable from the Company's website ([www.autogrill.com](http://www.autogrill.com)) and to an interactive version accessible from the same site.

## 2. INFORMATION on OWNERSHIP (ex art. 123 bis TUF) at 4 March 2010

### a) Structure of share capital (ex art. 123-bis, clause 1a, TUF)

Share capital, subscribed and paid-in: euro 132,288,000.

Categories of shares comprising the share capital:

STRUCTURE OF SHARE CAPITAL				
	# shares	%	Listed / non listed	Rights and obligations
Ordinary shares	254,400,000	100%	Telematic Stock Exchange Blue Chip segment	As per law and by-laws

All ordinary shares have the same unrestricted rights and are freely transferable.

There are no other financial instruments carrying the right to subscribe newly-issued shares.

### b) Restrictions on transfer of securities (ex art. 123-bis, clause 1b), TUF)

There are no restrictions on transfer of securities or limits on possession of them. There are no clauses requiring approval of access to share ownership.

### c) Relevant shareholdings (ex art. 123-bis, clause 1c, TUF)

Relevant shareholdings, direct or indirect, on the basis of disclosures made pursuant to art. 120 TUF, are detailed in the table below:

RELEVANT SHAREHOLDINGS			
Declarer	Direct shareholder	% of ordinary stock	% of voting stock
Schematrentaquattro S.r.l.	Schematrentaquattro S.r.l.	59.28	59.28
Templeton Global Advisors Ltd	Templeton Global Advisors Ltd	2.02	2.02

**d) Securities conferring special rights (ex art. 123-bis, clause 1d, TUF)**

No securities conferring special rights of control have been issued and there are no holders of special powers as defined in current law or the by-laws.

**e) Employee shareholders: mechanism for exercising voting rights (ex art. 123-bis, clause 1e), TUF)**

In 2009, the Company did not adopt stock option plans for employees. On 4 March 2010, the board of directors included in a notice of shareholders' meeting a proposal for the adoption of a stock option plan based on the issue of up to 2,000,000 options to allocate gratuitously in favour of executive directors and employees of the Company and/or of companies directly or indirectly controlled by it identified or to be identified from time to time by the board of directors of the Company.

Beneficiaries of said plan will be entitled, providing the conditions in the relative rules are met, to subscribe 1 ordinary Autogrill share for every option allocated to them. There is no mechanism that excludes or limits direct exercise of voting rights by beneficiaries.

**f) Restrictions on voting rights (ex art. 123-bis, clause 1f, TUF)**

There are no restrictions on shareholder's voting rights save for the terms and conditions disciplining exercise of the right to participate and vote in Shareholders' Meetings set forth in section 16 hereunder.

**g) Shareholder agreements (ex art. 123-bis, clause 1g, TUF)**

The Company has not been notified of any shareholder agreements as defined in art. 122, TUF.

**h) Change of control clauses (ex art. 123-bis, clause 1h, TUF)**

As a sub-concessionaire, Autogrill is party to numerous motorway service area f&b concessions which forbid changes in the control of the sub-concessionaire (“entry of new controlling shareholders in the sub-concessionaire’s ownership structure”) without prior authorization of the sub-concession granting motorway company. Such authorization may only be denied, however, if the change in control compromises the technical, management, commercial or economic provisions in the concession agreements.

Autogrill is also party to loan contracts with banks (amounting to euro 2 billion overall) which provide, as is customary in such contracts, for the bank’s power to extinguish loans and the borrower’s obligation to repay in advance all funds drawn down in the event of a change in the control of the financed company.

For the purposes of such contracts, “change of control” is when the current principal shareholders directly or indirectly fall below 25% of Autogrill shares with voting rights or cease to have a relative majority of Autogrill shares with voting rights.

Further, Autogrill is the guarantor of the bonds issued by a North American company, its wholly owned subsidiary, under debentures loans totalling \$520 million, which provide in the event of a change in control of Autogrill that each bond holder be entitled to receive advance repayment of its bonds. For the purposes of such debenture loans, “change of control” is when one or more subjects acting together, other than Autogrill’s majority shareholders, control or hold more than 50% of Autogrill shares with voting rights.

**i) Mandates to increase the share capital and authorizations to trade in treasury shares (ex art. 123-bis, clause 1m, TUF)**

In 2009, the Board was not mandated to make any capital increase as defined in art. 2443, Italian Civil Code.

The shareholders’ meeting on 21 April 2009 authorized the acquisition and subsequent disposal of up to 12,720,000 treasury shares (5% of the share capital) following revocation of the previous authorization voted by the shareholders on 23<sup>rd</sup> April 2008. The authorization applies for 18 months from 21 April 2009. Trading must be on regulated markets and in accordance with applicable law. Acquisitions must be made within minimum and maximum limits with respect to the stock market price determined as per the criteria indicated in the shareholders’ resolution. At 31 December 2009, the Company held a total of 125,141 treasury shares, being around 0.049% of the share capital.

### **l) Direction and co-ordination (ex art. 2497 and subs., Civil Code)**

On 27 April 2004 the board of directors judged that the conditions of submission by the Company to direction or coordination by the controlling entity, Edizione S.r.l. (formerly Edizione Holding S.p.a.), under §2497bis, Italian Civil Code did not subsist. Subsequently on 18 January 2007 following the transfer by Edizione S.r.l. of its entire stake in Autogrill S.p.a. to Schematrentaquattro S.r.l., wholly owned by Edizione S.r.l., the board of directors judged that the necessary conditions of submission by the Company to direction or coordination by the controlling entity, Schematrentaquattro S.r.l., under §2497bis Italian Civil Code, still did not subsist. In particular, the board of directors on 18 January 2007 ascertained in the aforementioned meetings that there were no relevant indicators of dominant influence on the part of a controlling shareholder, Autogrill having extensive organizational and administrative autonomy, with no instructions or directives on the part of Schematrentaquattro S.r.l. or Edizione S.r.l. that might be evidence of direction or co-ordination on the part of controlling shareholders.

## **3. COMPLIANCE**

In successive resolutions of the board of directors, the last dated 12 December 2007, the Company has continued to assimilate the principles and recommendations of the Corporate Governance Code in accordance with the criteria and procedures indicated in the annual corporate governance Reports.

Autogrill's corporate governance Report can be viewed on the Company's website ([www.autogrill.com](http://www.autogrill.com)) and on that of Borsa Italiana ([www.borsaitaliana.it](http://www.borsaitaliana.it)).

Neither the Company nor its subsidiaries are subject to the provisions of any non-Italian law that would influence the structure of Autogrill's corporate governance.

## **4. BOARD OF DIRECTORS**

### **4.1. APPOINTMENT AND SUBSTITUTION (ex art. 123-bis, clause 11, TUF)**

Appointment and substitution of directors is disciplined by the provisions of the law and applicable regulations and by article 10 of the by-laws, under which the board of directors is appointed by a list voting system.

The relevant provisions of the aforementioned article 10 of the by-laws are set forth hereunder.

The company is managed by a board of directors composed of a minimum of 3 (three) members and a maximum of 15 (fifteen) members.

Before appointing the board of directors, the Shareholders' Meeting establishes the number of members.

The directors are appointed by the shareholders from lists submitted by the Shareholders in which up to 15 (fifteen) candidates in possession of the current legal and regulatory requisites are listed under progressive numbers.

The lists must indicate any candidates who have the current legal and regulatory requisites of independence.

The lists presented by the shareholders shall be filed at the registered office at least 15 (fifteen) days before the date fixed for the Shareholders' Meeting on first call. Each shareholder may present or take part in the presentation of one list only and each candidate may be presented on one list only or not qualify for election. Lists may be presented only by shareholders who alone or together with other shareholders represent at least 1.5% of the share capital or any other lower legal or regulatory percentage.

It should be noted on this point, that Consob recently fixed the minimum participation for presentation of list of candidates for Autogrill boards of directors and statutory auditors at 2% (resolution 17148, 27<sup>th</sup> January 2010) pursuant to art. 144-quater, Issuers' Regulations. The aforesaid lower percentage provided for in the by-laws therefore remains applicable.

To prove ownership of the number of shares needed to present lists, shareholders must lodge a copy of the certificates issued by their brokers or have it delivered to the Company's headquarters at least 2 (two) business days before the date fixed for the 1<sup>st</sup> call Meeting or by any other term provided for in applicable law and regulations.

Together with each list, the declarations in which the individual candidates accept their candidacy and declare, under their own responsibility, that no causes of ineligibility and incompatibility exist and that the conditions required by law for the respective positions exist shall be presented within the terms indicated above. Such declarations shall be filed along with candidates' CVs, providing personal and professional details and eventual requisites for independent directorships.

Lists failing to comply with the aforementioned requirements shall not be taken into consideration.

Each person with the right to vote may vote for one list only.

After voting, the elected candidates shall be those of the two lists that received the most votes on the basis of the following criteria:

- a) the total number of directors to elect less two (2) shall be taken from the list that obtains the majority of the votes cast by the Shareholders, in the progressive order in which they are listed;
- b) the other two (2) directors shall be taken from the list that received the most votes, after the first list, in the Meeting ("minority list"), provided it is in no way connected, not even indirectly, with the Shareholders who submitted or voted the list that received the most votes.

In the event of an equal number of votes, the entire Shareholders' Meeting shall vote again and the candidate elected shall be the candidate who obtains a simple majority of votes.

If after voting, a sufficient number of directors with the legal and regulatory independence requisites have not been elected, the last candidate in progressive order on the list that obtained the most votes who is not in possession of such requisites shall be excluded and replaced by the next candidate possessing said requisites from the same list. This procedure must be repeated until the required number of independent directors have been elected.

If only one list is presented, or if no list at all is presented or if a list presented does not allow for the election of independent directors pursuant to legal and regulatory requirements, the Meeting shall vote with the legal majority.

The Shareholders' Meeting may, even in the course of the mandate, change the number of members of the board of directors, subject to the limit stipulated in the first paragraph of this article, and proceed with the relevant appointments. The term of office of directors thus elected shall end with that of the board of directors.

Should one or more directors lapse during the fiscal year, action shall be taken pursuant to article 2836 of the Italian Civil Code. As an exception to the foregoing provisions of this article, if for any reason the director or directors taken from the minority list cannot take up office or having taken it up must then stand down, he/they shall be replaced by the candidate/s belonging to the same list, by progressive order, and who are still eligible and willing to accept office.

The procedure for confirming a director co-opted by the board of directors or appointing another director to replace him in the next Shareholders' Meeting is as follows: shareholders either singly or together representing 1.5% of the share capital or any other lower legal regulatory percentage may indicate a candidate by filing the documentation indicated in clause 7 of this article at least 15 (fifteen) days prior to the date fixed for the Shareholders' Meeting (1st call).

If a co-opted director or a director replacing him was taken from the minority list, the Shareholder representing the majority of the share capital present at the Meeting and any other Shareholders in any way connected, even indirectly, with such Shareholder are barred from voting.

The previous provisions of this article are applicable *mutatis mutandis*.

After the vote, the candidate obtaining the most votes shall be elected.

Modifications to the by-laws may be made in accordance with applicable law and regulations save for the provisions in articles 5 and 15 of the by-laws.

Under art. 5 of the by-laws, the Shareholders' Meeting may empower the board of directors to raise capital stock through one or more operations up to a specified amount and over a maximum period of five years as from the date of the resolution, and also to issue on one or more occasions convertible and/or non-convertible bonds up to a specified amount and over a maximum period of five years as from the date of the resolution.

Further, under art.15 of the by-laws, the board of directors is also empowered to adopt resolutions with regard to the following: mergers in the circumstances envisaged by articles 2505 and 2505-bis of the Italian Civil Code; the creation or suppression of secondary establishments; reduction of the share capital in the event of withdrawal of a shareholder; amendments to the by-laws for the purpose of compliance with the law; transfer of the registered office within Italian territory; identification of directors vested with representative powers, subject to the provisions of by-laws regarding the representative powers of the Chairman and CEO.

## **4.2. COMPOSITION**

*The board of directors is made up of one executive and 11 non-executive directors*

The current board of directors will remain in office until after approval of the 2010 Accounts and was elected by the shareholders' meeting held on 23 April 2008, by list vote, pursuant to §10 of the by-laws.

One list was presented, by the majority shareholder Schematrentaquattro S.r.l., which on the date of the shareholders' meeting held 58.717% of the share capital. With votes representing 66.4% of the share capital, all the candidates in the list presented were elected and are still in office.

The Board consists of twelve members of whom one is an executive director - Gianmario Tondato Da Ruos, CEO - and 11 are non-executive: Gilberto Benetton (Chairman), Alessandro Benetton, Giorgio Brunetti, Antonio Bulgheroni, Arnaldo Camuffo, Claudio Costamagna, Francesco Giavazzi, Javier Gómez-Navarro, Alfredo Malguzzi, Gianni Mion and Paolo Roverato.

Set forth below are the personal and professional profiles of the directors.

### **Profiles of Directors and Statutory Auditors**

#### **Gilberto Benetton**

Chairman

Born in 1941 in Treviso, in 1965 Gilberto Benetton set up the Benetton Group together with his sister Giuliana and brothers Luciano and Carlo. The Group is world leader in the apparel industry and today operates in some 120 countries. He is chairman of Edizione Holding S.p.A., the family holding company, chairman of Autogrill S.p.A. and a director of Benetton Group, Mediobanca, Atlantia S.p.A., Pirelli & C. S.p.A., Allianz S.p.A. and Sintonia S.A. He presides over all investments undertaken by the family holding company, whether financial or property. A keen sportsman, he is the promoter of Group sponsorships of rugby, basketball and volleyball. Through the Benetton Foundation he had La Ghirada, Treviso's sport centre, created.

## **Gianmario Tondato Da Ruos (Treviso, 1960)**

CEO of Autogrill since March 2003

He joined the Group in 2000 and moved to the United States to manage the integration of the North American subsidiary HMSHost and successfully implemented a strategic refocusing on concessions and diversification into new business sectors, distribution channels and geographical regions. His policy of growth through organic development and acquisitions enabled Autogrill to nearly double its sales, while the acquisition of Aldeasa, Alpha Group and World Duty Free Europe transformed the Group into the world's biggest airport retail and f&b operator.

He started his career in 1985 in Group Arnoldo Mondadori Editore and various Benetton Group companies, where he worked on company re-organization and international mobility after graduating in economics and commerce at Università Ca' Foscari in Venice.

Gianmario Tondato Da Ruos is lead independent director of Lottomatica S.p.A., Chairman of Autogrill Group Inc. and a director of Aldeasa S.A. and Autogrill Holdings UK Plc.

A keen runner, skier and former rugby player, Gianmario Tondato Da Ruos is married and has two daughters.

## **Alessandro Benetton**

Director

Born in 1964 in Treviso and son of Luciano. He graduated in Business Administration from University Boston. In 1991 he took an MBA at Harvard. His professional career began at Goldman Sachs, as an M&A analyst. In 1993 he formed 21, Investimenti S.p.A., a holding company whose shareholders are Edizione S.r.l., Intesa Sanpaolo S.p.A., Fininvest S.p.A., Group Seragnoli, Assicurazioni Generali S.p.A. and Ricerca S.p.A., and became its Chairman, an office he still holds. He is chairman of 21, Investimenti Partners S.p.A.. He is a director of Edizione S.r.l. and (since 1995) of Autogrill S.p.A.. He is also executive Vice chairman and Member of the executive Committee of Benetton Group S.p.A. His other offices include: director of Banca Popolare of Vicenza, director and Vice chairman of NordEst Merchant S.p.A., director and chairman of the board of 21 Partners SGR S.p.A. and Member of the Supervisory board of 21 Centrale Partners S.A.

## **Giorgio Brunetti**

Director

Born in 1937 in Venice, he graduated in Economics and Business at the Ca' Foscari University in Venice and took a diploma in Corporate Organisation at CUOA (Centro Universitario di Organizzazione Aziendale) in the Faculty of Engineering of the University of Padua. He began his academic career at the Ca' Foscari University, where he became Professor of Business Studies. In 1992 he was appointed Professor

of Business Studies at the Bocconi University in Milan, where he is emeritus professor and chairman of the “Entrepreneurship and Entrepreneurs” Research Centre. He has taught in training companies and organisations and consulted for leading industrial and banking groups. He has been a director of Autogrill S.p.A. since 1995, and is also on the board of Benetton Group S.p.A. and Messaggerie Italiane S.p.A. He is an auditor at the Electricity and Gas Authority.

### **Antonio Bulgheroni**

Director

Born in 1943 in Varese. In 1969 he joined the family Company, Bulgheroni S.p.A., a chocolate producer and concessionaire of the Lindt & Sprüngli brand in Italy, as Assistant to the General Manager. In 1974 he became its managing director (up to 1993) and was also its chairman from 1990 to 1993. At present he is chairman of Caffarel S.p.A. and chairman of Lindt & Sprüngli S.p.A.. He is chairman of Banca Popolare Commercio and Industria S.p.A.. Other offices held: chairman of Ferro Tubi Lamiera Rossi S.p.A., director and Member of the executive Committee of Chocoladefabriken Lindt & Sprüngli AG. He has been a director of Autogrill S.p.A. since 1997.

### **Arnaldo Camuffo**

Director

Born in Venice in 1961, he graduated in business economics at Università Ca' Foscari in Venice. In 1990 took an MBA at the Sloan School of Management at Massachusetts Institute of Technology and then a PhD in business administration at the University of Venice.

A full professor of business organization at the University of Venice (1990-2003) and Padova (2003-2007), he has been a consultant to some of Italy's top industrial groups and worked with leading training organizations in Italy and elsewhere in Europe. He collaborates with Italian research bodies and professional associations specializing in management, organization and human resources. He is a member of scientific committees at AIF and ASFOR. He is Science Director at Lean Enterprise Center, Italy, a director of Lean Global Network and Principal Investigator at International Motor Vehicle Program.

He is a full professor of business organization at Università L. Bocconi, Milan, and also teaches at SDA Bocconi. He has been an independent director of Autogrill S.p.A. since 2008 and of Carraro S.p.A. since 2009.

## **Claudio Costamagna**

Director

Born in Milan in 1956, he took a degree in business economics at the Università L.Bocconi in Milan.

He started his career with Citibank, as financial controller for Individual Banking Group and then moved to Montedison as director of Corporate Finance for the Group holding.

In 1988 he joined Goldman Sachs Group and became a partner in 1998. From 2001 to 2006 he was president, Investment Banking division, Europe, Middle East and Africa.

He is currently an independent director at Autogrill S.p.A. (since 2008), Luxottica Group, DEA Capital S.p.A. and Bulgari S.p.A.. He is also Chairman of CC&Co (an M&A boutique) and director of the French companies AAA S.A. (operating in the Biotech sector) and Mandel Partners (finance company).

## **Javier Gómez-Navarro**

Director

Born in Madrid in 1945, he graduated in engineering at the School of Industrial Engineering in Madrid.

He has had significant experience in politics, in the tourism sector. In 1978 he founded FITUR, Madrid's international tourism expo. From 1983 to 1986 he was CEO of Viajes Marsans, Spain's biggest travel agency and sat on the boards of Spain's top tour operators. He was president of the Olympic Sports Associations and vice-president of the 1992 Barcelona Olympic Games Organization Committee. From 1987 to 1993 he was Secretary for Sport. In 1993 he was made Minister of Trade and Tourism, an office he held till 1996.

He is chairman of Aldeasa (since 2005) and of the Spanish Council of Chambers of Commerce, Industry and Navigation, as well as holding directorships at Autogrill S.p.A. (since 2008), Tecnicas Reunidas, Capio Spain, Insolux-Corsan, Quail Travel, MBD and Expociencia.

## **Francesco Giavazzi**

Director

Born in Bergamo in 1949, he holds a degree in electronic engineering from the Politecnico di Milano and a Ph.D in economics (1978) from the Massachusetts Institute of Technology.

He is a professor of economics at Bocconi University in Milan and a regular visiting professor at the MIT. He is a member of the Strategic Committee of Agence France Trésor and of the group of economic advisors to the President of the European Commission José Manuel Barroso.

From 1992 to 1994, he served as Director General at the Italian Treasury, in charge of economics research, debt management and privatizations, and represented the Ministry on the boards of INA, Assitalia and Banco di Napoli, of which he was also a vice-chairman.

From 1998 to 2000, during the D'Alema administration, he was one of the economic advisers to the Italian prime minister.

He is a leader writer for Il Corriere della Sera.

He has been an independent director of Autogrill S.p.A. since 2008, of Vitale&Associati S.p.A. since 2000 and of Arsenale di Venezia S.p.A. since 2005.

## **Alfredo Malguzzi**

### **Director**

Born in Lerici (La Spezia) in 1962, he is name partner at Malguzzi and Associati, a firm of legal and tax consultants. He took a degree in business economics at the Università L. Bocconi in Milan. He has practised as a chartered accountant since 1991, providing advice on domestic and international company law and tax law having gained experience in these fields since 1985.

He formerly taught at the SDA (Business School) of the Bocconi University (1990-1997), in the Administration and Control area, and is a tax journalist. He specialises in tax and company matters relating to corporate finance transactions, acquisitions, disposals and corporate reorganisations.

He has been a director of Autogrill S.p.A. since April 2004, and is also a director of Benetton Group S.p.A. and FincoBank S.p.A. He is chairman of the board of directors of LaGare S.p.A., a standing statutory auditor of Interpump Group S.p.A., BNP Paribas Lease Group S.p.A., biG S.r.l., Egidio Galbani S.p.A. and Group Lactalis Italy S.p.A. and chairman of the board of statutory auditors of First Atlantic Real Estate Holding S.p.A. and Consilium SGR S.p.A.

## **Gianni Mion**

### **Director**

Born in 1943 in Vò (Padua), he graduated in economics and business from Ca' Foscari University in Venice. He is a chartered accountant and auditor and has been managing director of Edizione S.r.l. since 1986. His professional career began with KPMG as auditor and continued with McQuay Europa S.p.A. as controller. In 1974 he joined Gepi S.p.A. of which he became Deputy General Manager in 1980. He was managing director of Fintermica S.p.A. from 1983 to 1985, before joining Marzotto S.p.A., as Finance director until 1986.

At present he is a director of Autogrill S.p.A. (since 1995), Benetton Group S.p.A., Atlantia S.p.A., Luxottica Group S.p.A., Burgo Group S.p.A. and Sintonia S.A.

## Paolo Roverato

Director

Born in Padova in 1963, he graduated in economics and commerce from Università Ca' Foscari in Venice. A chartered accountant and official auditor, he joined Arthur Andersen in 1989. He has been an executive at Edizione S.r.l. since 2002 and is a director of Autogrill S.p.A., Aeroporti di Roma S.p.A, Aeroporto di Firenze S.p.A., Aeroporti Holding S.r.l., Edizione Property S.p.A. and Investimenti Infrastrutture S.p.A..

### Maximum number of offices in other companies

On 12 December 2007, the board of directors adopted the following policy regarding the maximum number of appointments of the directors in other companies, as proposed by the Internal Control and Corporate Governance Committee:

- a) an executive director shall not hold the office of:
  - i) executive director in another listed company or a finance company,<sup>2</sup> bank or insurance company, or any company with shareholders' equity in excess of € 10 billion;
  - ii) non-executive director or statutory auditor (or member of a supervisory board) in more than three of the above companies;
- b) a non-executive director, in addition to the office held in the Company, shall not hold the office of:
  - (i) executive director in more than one of the above companies and non-executive director or statutory auditor (or member of a supervisory board) in more than three of the above companies,
  - (ii) non-executive director or statutory auditor in more than six of the above companies.

These limits shall not include offices held in companies belonging to the group headed by Edizione S.r.l. of which Autogrill is a member.

In any case, before taking up the office of director or statutory auditor (or member of a supervisory board) in another company which is neither an associate nor a subsidiary of Autogrill, the executive director shall inform the board of directors, which shall preclude taking up the office where it notes incompatibility with the executive director's functions or the interests of Autogrill.

Meeting on 4 March 2010, the board of directors voted to maintain the aforementioned policy regarding the maximum number of appointments of the

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<sup>2</sup> This does not include companies engaged principally in the financial activities contemplated in art. 113, legislative decree 385, 1<sup>st</sup> September 1993 (consolidated banking and credit acts) provided such business is not with the public.

directors in other companies and ascertained that the current composition of the Board was in line with such criteria.

Attached to this Report are tables showing the number of appointments held by each director in other companies listed on regulated markets (including those outside Italy), or in finance companies, banks, insurance companies or other large concerns, and tables detailing the offices held and the names of the companies.

### **4.3. ROLE OF THE BOARD OF DIRECTORS**

The board of directors meets on a regular basis: it met ten times in 2009 (average length of meeting around 2 hours) and ten meetings are scheduled for 2010 (three have already taken place to date).

The regularity of its meetings is one of the factors enabling the Company's board of directors to act effectively and rapidly, while its composition is such that the best interests of the Company are always uppermost in its decisions.

To ensure timely and complete information ahead of Board meetings, the relevant Company departments prepare all the necessary documents pertaining to the items on the agenda so they can be delivered to the directors, by the Secretary to the Board, reasonably in advance of the meeting and taking into consideration any special requirements in terms of the confidentiality and/or urgency of the matters in question.

Company and Group executives may always be invited to attend Board meetings when their specific expertise and areas of responsibility are relevant to the agenda.

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The activity of the board of directors and the Company – including relations with other Group companies – is based on principles of correct corporate and business management and on the provisions of the Corporate Governance Code and the Code of Ethics.

The board of directors' role is to direct and control the conduct of the Company's business and make decisions necessary for or useful to the achievement of the corporate purpose.

In addition to the powers that cannot be delegated by law or under the by-laws, the board of directors has the following exclusive powers:

- a) review of strategic, industrial and financial plans drawn up by the Company and Group;
- b) review of the budgets, the annual financial strategy and investment plans of the Company and Group;
- c) review and prior authorization of significant transactions in terms of strategy, income, finance or capital adequacy to be carried out by the Company, with special reference to situations in which any director has an interest on her/his own or others' behalf and to related-party transactions.

In particular, resolutions regarding the following matters are reserved to the board of directors:

01. investments, acquisitions, disposals, disinvestment of equity interests in companies or lines of business, formation of joint-ventures and bidding under tenders for f&b and retail concessions with a value in excess of € 3,000,000, according to the investment procedure of the Group;
02. medium/long-term loan transactions with banks;
03. issue of guarantees and security in amounts in excess of € 3 000,000;
04. prior review of all transactions under bullet points (1), (2) and (3) of this section and matters under letter (c) of the section above concerning Group companies;
05. approval of financial and financial risk management policy;
06. examination and approval of basic rules of corporate governance for the Parent Company, of the Group structure and of guidelines for the corporate governance of subsidiaries;
07. assessment of the adequacy of the organizational, administrative and general accounting structure of the Parent Company and its main subsidiaries as put in place by the CEO;
08. periodical checking of the adequacy and effectiveness of the system of internal controls to ensure that the main corporate risks are identified, measured, managed and monitored appropriately;
09. appointment and termination, under §18 of the by-laws, of the Manager charged with preparing the Company's financial reports as required by §154bis, T.U.F.;
10. appointment and termination of the person(s) responsible for internal control pursuant to §8 of the Corporate Governance Code;
11. setting up the Supervisory Body required by Legislative Decree 231/01;
12. conferring and revoking of delegated functions and powers of the directors and the executive Committee, if any, determining the limits, the procedure and the frequency – at least quarterly – under which the delegated parties or bodies are required to report to the board of directors and the board of statutory auditors on their activity and the manner in which their authority and powers have been exercised;
13. having considered the proposals of the Human Resources Committee and consulted the board of statutory auditors: fixing the compensation and rewards of the CEO, the Deputy Chairman, if appointed, and other directors with particular responsibilities, and, if necessary, dividing up collective compensation due to individual directors and Committee members pursuant to specific resolutions;

14. reviewing the compensation criteria for senior managers and long-term or annual incentive plans for managers of the Parent Company and the Group as proposed by the CEO and the Human Resources Committee;
15. assessment of general business performance, specifically on the basis of information received from the CEO and the executive committee, if any, by regularly comparing the results achieved against forecast;
16. reviewing, evaluating and approving period-end accounts as required by current legislation.

On 16 December 2009, the board of directors examined documents submitted by the CEO and assessed the organizational, administrative and accounting structure of the Company and Group, with special reference to the system of managing conflicts of interest. Meeting on 4 March 2010, it looked at the internal control system.

On the material basis of sales generated, the following subsidiary sub-holdings were identified as being of strategic importance: Autogrill Group Inc., Aldeasa SA, Holding de Participations Autogrill Sas, Autogrill Schweiz AG, Autogrill Belux NV and Autogrill Holdings UK Plc.

On completion of the assessment, having received a favourable opinion from the Internal Control and Corporate Governance Committee, the board of directors decided that the organizational, administrative and accounting structure of the Company and Group, with special reference to the system of managing conflicts of interest and the internal control system, was appropriate to the requirements and size of the Company and the Group.

The apportionment of the global fees for the board of directors was made by the shareholders' meeting, following the appointment of the Board, on 23 April 2008.

In its first meeting in 2008, on 23 April, the board of directors divided the overall amount allocated to them by the shareholders meeting between the two Board committees and between their respective members.

On 11 June 2008, the board of directors fixed the remuneration of the CEO on the basis of proposals made by the Human Resources Committee and having consulted the statutory auditors.

The Board constantly monitors general business performance, specifically on the basis of information received from the CEO, by regularly comparing actual results and forecast values.

The Company adopted a Group procedure, approved by the board of directors in 2006, which establishes, among other things, criteria for identifying operations with correlated parties by the Company or its subsidiaries. In particular, the procedure provides that "significant operations" and "significant and important operations" shall be submitted for prior examination by the board of directors. "Significant operations" are those defined in the procedure as not falling under the category of Autogrill's routine business or whose overall amount is in excess of € 3,000,000, while "significant and important operations" are significant operations that may

impact on the Company's assets or the completeness or accuracy of information, including accounting data, regarding the Company (such as mergers, demergers, acquisitions and disposals of companies or company divisions in cases where economic-financial thresholds are exceeded).

On 10 November 2009, a Board meeting attended by all its members carried out the periodical assessment, required by the Corporate Governance Code, of the size, composition and operation of the board of directors and its committees.

During the meeting, the directors discussed the content of a summary of the assessment process, which, as in previous years, involved the filling in of questionnaires by the directors and subsequent processing and analysis by a independent party.

The assessment led to a judgement of overall and unanimous satisfaction with the efficiency of the board of directors and its Committees. Most of the suggestions concerned the advisability of allocating more time at meetings for the discussion of material questions than for matters of compliance. It was also pointed out that the directors needed more knowledge of the company as a whole (also internationally) and of its types of business.

The shareholders' meeting did not pass general and prior authorization for exceptions or waivers in respect of the prohibition of competition by the directors, pursuant to §2390, Italian Civil Code. To date, the situations foreseen by this legal provision have never occurred.

#### **4.4. COMPANY OFFICERS**

##### **CEO**

The board of directors is a unitary and balanced body in which the delegated management powers entrusted to the CEO are balanced by the responsibilities of non-executive and independent directors, endowed with technical and professional expertise, in order to promote efficient discussion leading to decisions in line with the interests of the Company.

The CEO has general management powers, some of which are to be exercised within the following limits:

a) Investments: up to € 3,000,000; b) Purchase and sale and trade-in of machinery, plant, equipment, materials, and motor vehicles: up to € 3,100,000 per transaction; c) Consultancy, intellectual and professional services in general: up to € 1,000,000 per fixed-term contract; d) Acquisitions and/or disposals of businesses or business units: up to € 3,000,000, gross of all charges and liabilities; e) Leases and subleases of buildings and similar units of property, leasing or subleasing of businesses, provided that the minimum annual rent does not exceed € 3,000,000; f) Purchase, sale or underwriting of shares, equity interests or consortium shares: amounts not in excess of € 3,000,000 per transaction; g) Purchase and sale of buildings, pieces of land and other immovables: up to € 3,000,000 ; h) Credit agreements or facilities in

general, financings or credit mandates, including those contracted in the interest of subsidiaries: up to € 3,100,000; i) Applications - including in the interest of subsidiaries – for bank or insurance guarantees, letters of guarantee and undertakings in general, issuance of letters of surety, letters of indemnity, avals or letters of patronage: up to € 3,100,000 for each transaction; l) Nomination of arbitrators, including amicable negotiators: up to € 1,000,000 per dispute, but without limit on the value where the Company is a defendant in arbitration proceedings.

Transactions exceeding these limits are submitted to the Board.

### **The Chairman**

*The chairman is responsible for the functioning of the board of directors, co-ordination of its activities and provision of information to the directors*

The chairman is not the controlling shareholder of the Company.

The chairman is vested with legal powers and those specified in the Company's by-laws and has no executive powers. He is responsible for the functioning of the board of directors, co-ordination of its activities and provision of information to the directors. The chairman may propose initiatives that he considers necessary for augmenting the directors' knowledge of the Company and its operations.

The chairman may – with the consent of the other directors – invite senior managers of the Company or of subsidiaries, or consultants, to attend meetings of the Board to describe certain specific transactions or technical and operational matters concerning the Company and the Group.

### **Executive Committee**

There is no Executive Committee.

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### **Reporting to the Board**

At each meeting of the board of directors and at least every quarter, the CEO or the other directors with special powers reported to the Board and to the statutory auditors on the exercise of their powers in 2009. At these quarterly meetings, the CEO also reports on general trends and outlook in the business, as well as on operations of particular importance in terms of size or characteristics carried out by the Company or its subsidiaries.

## **4.5. OTHER EXECUTIVE DIRECTORS**

As stated above, the CEO is the only executive director on the Board. None of the other directors may be considered executive because none of them holds the post of CEO or executive chairman in Autogrill subsidiaries of strategic importance and

none of them is vested with management duties within Autogrill or in subsidiaries of strategic importance or in the parent company and such offices concern Autogrill as well.

To enrich directors' knowledge of the Company's businesses, one board meeting was held outside Italy in 2009, as in the previous two years, and was also attended by local management. Further, a number of managers from the Company and its subsidiaries were invited to meetings of the Internal Control Committee and of the Board of Statutory Auditors.

#### **4.6. INDEPENDENT DIRECTORS**

The board of directors annually assesses the independence of each director, partly on the basis of information supplied by the directors themselves, and informs the market of its assessment. Independent directors serving on the Board and its Committees is an appropriate way of safeguarding the interests of all stakeholders. In this context, Section 3.C.1 of the Corporate Governance Code indicates certain non-compulsory criteria (regarding substance rather than form) which the Board may follow in assessing the independence of its non-executive directors.

On 12 December 2007, the board of directors, having examined the aforementioned section of the Corporate Governance Code and the advice of the Internal Control and Corporate Governance Committee, decided to adopt the independence criteria for the directors identified by the Corporate Governance Code with the exception of Board membership of more than nine of the last twelve years. The same criteria were considered appropriate for the board of statutory auditors.<sup>3</sup>

At a meeting held on 23 April 2008 (the first after its appointment) and subsequently on 16 December 2009, the board of directors collectively deemed that the following were independent directors on the basis of the requisites specified by the Corporate Governance Code and approved by the Board: Giorgio Brunetti, Antonio Bulgheroni, Arnaldo Camuffo, Claudio Costamagna, Francesco Giavazzi and Alfredo Malguzzi. The Board also determined that directors Antonio Bulgheroni, Arnaldo Camuffo, Claudio Costamagna and Francesco Gavazzi were independent under the combined provisions of art. 147-ter, clause 4, and 148, clause 3, T.U.F.

The Board's resolution was submitted to the statutory auditors for the checks provided for in 3.C.5, Corporate Governance Code.

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<sup>3</sup> The decision adopted, on a proposal by the internal control and corporate governance committee, was motivated by the consideration that the independence of a director or statutory auditor should be assessed on the basis of such officers' independence of judgement with respect to operating officers and shareholders. In fact, if on one hand independence is considered potentially at risk in the case of so-called relationships of affiliation with the issuer company (eg. with majority shareholders, directors of the company controlling the issuer) or a director's economic dependency on the issuer, on the other hand a person's presence on the board for over nine years, provided the other requisites contemplated by the Corporate Governance Code are satisfied, should not always be considered as compromising a director's or statutory auditor's independence. On the contrary, consolidation of knowledge of the enterprise's specific problems should be positively appreciated, as it enhances a director's or statutory auditor's capacity to act effectively in the interests of all the stakeholders.

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On 19 December 2010, the board of statutory auditors verified that the criteria and procedures adopted by the Board to assess the independence of its members were being properly applied.

The independent directors met in a plenary session chaired by the Lead Independent Director, in the absence of the other directors, to discuss the working of the board of directors and governance issues.

#### **4.7. LEAD INDEPENDENT DIRECTOR**

*The Board introduced the role of Lead Independent director in 2006.*

Meeting on 12 May 2008, the Board appointed director Giorgio Brunetti Lead Independent director of the Company, with the functions prescribed by application principle 2.C.3. of the new Corporate Governance Code and international best practice, in addition to any functions that may subsequently be assigned by the board of directors.

Giorgio Brunetti had already been appointed Lead Independent director of the Company in 2006, by the board of directors then in force.

### **5. TREATMENT OF CORPORATE INFORMATION**

#### **Procedure for disclosing privileged information to the market**

The board of directors adopted a procedure for disclosing privileged information to the market in 2006.

*The procedure can be consulted on the Company's website, [www.autogrill.com/governance/regolamentiprocedure.aspx](http://www.autogrill.com/governance/regolamentiprocedure.aspx).*

On 15 March 2006, the board of directors adopted, pursuant to Law 62/2005 ("Community Law 2004") on market abuse, a Group procedure for transmitting to the market privileged information, amended on 20 January 2010.

The aim of this procedure is to govern internal management and external communication of privileged information not yet in the public domain concerning Autogrill or its subsidiaries, Autogrill stock or any other financial instruments issued by Autogrill which, if made public, might materially affect its share price. To ensure equal information for all investors, privileged information is transmitted to the market as soon as it reaches a reasonable degree of certainty.

The Company has also set up a register containing the names of all individuals or legal entities who on account of the activities or functions they perform for Autogrill or its subsidiaries have or may have access, regularly or occasionally, to privileged

information.

The head of Group Corporate Affairs, Italy and Europe, is responsible for keeping and updating this register.

The Company also constantly applies the principles contained in Borsa Italiana S.p.A.'s Guide to Market Information, which supplements existing provisions of law and regulations.

### **Internal Dealing procedure**

*The Company adopted an Internal Dealing procedure that can be viewed on the Company's Website ([www.autogrill.com/governance/regolamentiprocedure.aspx](http://www.autogrill.com/governance/regolamentiprocedure.aspx)).*

On 15 March 2006, the board of directors adopted, in compliance with Community Law 2004, an Internal Dealing Procedure, amended on 20 January 2010, which replaces the Internal Dealing Code originally adopted on 6 November 2002 and subsequently amended.

The relevant persons are the directors and statutory auditors, their close family members and the controlling entity of Autogrill.

Under this new procedure the relevant persons definition has been narrowed to include only the directors and statutory auditors of Autogrill, their close family members and the controlling entity of Autogrill, who are obliged to notify the market of any transactions they carry out involving the Company's shares and any other financial instruments it has issued. The transaction amount below which notification is not required has been lowered to €5,000. Relevant Persons may make the prescribed notification either direct or through the Company. Relevant persons are prohibited from trading the Company's financial instruments in certain periods of the year leading up to approval of Accounts for the period.

The person designated to receive, manage and distribute the information required under the Procedure is the Secretary to the board of directors.

## **6. BOARD OF DIRECTORS' COMMITTEES**

In line with the recommendations of the Corporate Governance Code, the board of directors in 2001 set up a Remuneration Committee, which changed its name to Human Resources Committee in 2008. In 2002 it created an Internal Control Committee, which became known as the Internal Control & Corporate Governance Committee in 2006.

Regarding the Corporate Governance Code's recommendation to consider setting up a committee for the appointment of members of the board of directors, the Board did not see fit to set up such a committee.

The Company also set up a Finance Committee external to the board of directors and not required by the Corporate Governance Code.

## 7. APPOINTMENTS COMMITTEE

The board of directors has seen as yet no reason – not least in light of the Corporate Governance Code principle 6.P.2 – to set up a directors appointment committee. It has never been difficult for the shareholders to suggest candidates for election nor has the Board itself ever had difficulty co-opting directors pursuant to §2386, Italian Civil Code and §10 of the Company by-laws.

## 8. HUMAN RESOURCES COMMITTEE

*The Company has had a Remuneration Committee since 2001; in 2008 it was renamed the Human Resources Committee and is made up of non-executive and mostly independent directors.*

Since 15 May 2001, the Company has had a Remuneration Committee to better align the top management's compensation system with the creation of value for the Company. On 23 April 2008, the board of directors decided to extend the Remuneration Committee's tasks to the areas of organizational and human resources development and the definition of guidelines for the appointment of officers in the major subsidiaries. It changed the name of the committee, accordingly, to Human Resources Committee and adopted new internal rules disciplining its composition, activities and functioning.

### **Composition and working of the Human Resources Committee (ex art. 123-bis, clause 2d, TUF)**

The Committee met 11 times in 2009, with an average length of meeting of 2 hours and 15 minutes.

Meeting attendance by each of the members is detailed in Table 1 in the Annexes.

Eight meetings of the Committee are scheduled for 2010, two of which have already been held (2 and 26 February 2010).

In line with the recommendations of the Corporate Governance Code, the Committee is made up of non-executive directors of which the majority are independent. Its current members, appointed by the board of directors on 23 April 2008, are the non-executive directors Alfredo Malguzzi (independent director and Committee chairman), independent directors Antonio Bulgheroni, Arnaldo Camuffo and Claudio Costamagna and director Gianni Mion.

In accordance with a specific provision of the Corporate Governance Code, the directors, and the CEO in particular, abstain from participation in meetings of the Committee in which proposals by the board of directors regarding their remuneration are made.

Meetings of the Committee are attended by the head of Group Organizational Development. Group executives and the CEO may be invited by the Chairman to take part on specific matters.

## Functions of the Human Resources Committee

The Human Resources Committee is charged with proposing the Chairman's compensation and that of the CEO and directors with special responsibilities to the Board. The Committee makes proposals to the Board regarding cash or stock option incentive plans for the aforementioned directors. It assesses the CEO's proposals to submit to the Board regarding (a) determination of criteria for the remuneration of the Company's and Group's top management, (b) any cash or stock option incentive plans for Company or Group employees, (c) criteria determining the composition of boards of directors of strategically important subsidiaries, and (d) policies determining the strategic development of human resources.

The Committee also assesses long-term and annual cash incentive plans tied to the achievement of specific objectives and monitors application of the board of directors' decisions.

To assess the remuneration systems' alignment with the market, the Committee examines the criteria for remuneration and long-term and annual cash incentive plans for Company and Group managements, which are subsequently submitted for approval by the board of directors, as suggested by the CEO.

In 2009, the Committee met 11 times and examined and proposed the following to the board of directors, which approved, among others, (i) the 2009 incentive system (MBO 2009) for Group managers, including the CEO, tied to the achievement of company economic/financial parameters and the role objectives of individual managers, and (ii) the inclusion of another Group manager in the 2007-2009 three-year cash incentive plan (LTIP).

The Committee's work in 2009 focused on the following:

1. assessment of the level of achievement of objectives for 2008 (MBO) of the CEO and key management;
2. assessment of the organizational scenarios proposed by the management in connection with the planned restructuring and integration of businesses acquired in 2007 and 2008, and of the organizational review plan; the latter is an integral part of the Industrial Plan presented to the board of directors on 24 June 2009;
3. assessment of the impact of implementing European Commission recommendations (2004/913/CE, 2005/162/CE, 2009/385/CE, 2009/384/CE) on the composition of remuneration packages for the management, incentive systems and any exit ("parachute") packages;
4. application of such recommendations in the definition of short- (MBO) and long-term (LTIP) incentive plans for the:
  - a. the CEO
  - b. Group Senior Management
  - c. Management.

5. assessment of the composition (fixed, variable and long-term variable mix) of the remuneration packages of the CEO and other key Group management figures, and also of the remunerative equity of the various organizational levels;
6. definition of guidelines for drawing up management succession plans and ensuring continuity in key positions in the organization;
7. assessment of the various options for three-year incentive systems for the CEO and the management.

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Meetings of the Human Resources Committee and their resolutions are duly minuted.

In carrying out its functions the Committee is assisted on technical aspects by the head of Group Organizational Development and experts in the sector or Group executives invited from time to time to take part in meetings.

Over the year, the Committee had due access to the information and business functions needed for the carrying out of its tasks.

The board of directors set aside euro 30,000 for the activities of the Committee over the year.

Through the Company's management, the Committee consulted an expert on remuneration systems regarding the make up of remuneration packages and ratios between fixed and variable components, as well as short- and long-term incentive systems.

## 9. DIRECTORS' REMUNERATION

A significant portion of the CEO's and top management's variable remuneration is tied to the Company's economic and financial results and the achievement of specific objectives indicated in advance by the Board, by virtue of their participation in management incentive plans.

In 2009, the CEO and the Group's top managers participated in the annual variable incentive system ("MBO") for the Group's management, which is tied to achievement of strategic objectives, including the Group's economic and financial targets (accounting for 60% of total objectives) and individual objectives (40% of total objectives), and in the three-year (2007-2009) cash incentive and the retention plans.

The aforesaid 2007-2009 Long-Term Incentive Plan, the main details of which were posted on the Company's website pursuant to art. 84 bis, Issuer's Regulations, uses the following objective parameters: accumulated ROI over 2007-2009, the value of the contracts portfolio at 31<sup>st</sup> December 2009 and the performance of Autogrill stock (2007-2009). The aims of the plan are to encourage the top management to increase the economic worth of their employer company and Autogrill Group in the medium/long-term by targeting improvements in the Company's economic and

financial performance and share price; to promote and spread the culture of creation of value in all strategic and operating decisions; to safeguard the market competitiveness of remuneration in the medium/long-term; to retain the loyalty of the management and incentivize senior managers to stay in Autogrill Group.

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The remuneration of non-executive directors is not tied to the Company's economic results and such directors are not eligible for inclusion in stock option plans.

As resolved at the shareholders' meeting held on 23 April 2008, each director is entitled to fixed annual compensation of €45,000 as well as a fee of €600 for attendance at each Board and Shareholders' Meeting. Members of the Internal Control Committee and Human Resources Committee are entitled to additional annual compensation of €10,000 and €8,000 respectively, as well as €600 for attendance at each meeting of such committees. The Company's annual accounts state the amount of compensation paid to each director.

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#### **Directors' indemnity in the event of resignation, dismissal or termination of the relationship following a take-over bid (ex art. 123-bis, clause 1i), TUF)**

The contract disciplining the relationship between the CEO and the Company provides that in the case of said relationship being terminated for just cause by the CEO or without just cause by the Company, the Company must make up the indemnity for lack of notice (provided for in the collective employment contract for executives in the commercial sector) to €2m, if less than that amount.

There are no other agreements of this kind between the Company and the other directors.

## **10. INTERNAL CONTROL COMMITTEE**

*Since 2002, the Company has had an Internal Control Committee with consulting and propositional functions.*

Since 24 April 2002, the Company has had an Internal Control Committee, whose members are non-executive directors, the majority of which independent, with consulting and propositional functions. Its task is to analyze problems and make decisions regarding the control of corporate operations.

On 19 December 2006, the board of directors invested the Internal Control Committee with propositional and consultative functions in relation to the adoption of corporate governance rules by the Company and the Group. At the same meeting the committee was renamed Internal Control and Corporate Governance Committee.

On 23 April 2008, the Board appointed the following non-executive directors to the Internal Control and Corporate Governance Committee: Giorgio Brunetti (independent director), Alfredo Malguzzi (independent director) and Paolo Roverato; and appointed Giorgio Brunetti as its chair. As is also shown in the CVs included in

this Report, Giorgio Brunetti, Alfredo Malguzzi and Paolo Roverato have appropriate experience in accounting and finance, assessed by the board of directors upon their appointment.

In 2007, the board of directors updated the Committee's regulations, which contain rules for its appointment, composition and functioning.

On 18 January 2007, the board of directors up-dated the Committee's regulations, which contain rules for the appointment, composition and functioning of the Committee, incorporating the indications of the Corporate Governance Code. The regulations are available on the Company's website ([www.autogrill.com](http://www.autogrill.com)).

### **Functions assigned to the Internal Control and Corporate Governance Committee**

The Committee's mandate is to assist the board of directors with consultation and proposals, and specifically to:

- a) formulate internal control system guidelines, such that the main corporate risks are identified, measured, managed and monitored appropriately to determine whether such risks are compatible with sound and correct management;
- b) nominate an executive director charged with supervising the internal control system;
- c) describe the essential features of the internal control system in its Corporate Governance Report and assess its overall adequacy, effectiveness and actual workings.
- d) ensure that the corporate governance rules are adopted in the Company and the Group.

The Internal Control and Corporate Governance Committee shall also:

- a) on request by the board of directors, express an opinion on the appointment or removal of one or more persons responsible for internal auditing and determine their compensation in line with Company policy, procedure and capacities;
- b) on request by the executive director appointed for the purpose, give its opinion on aspects of the identification of the main corporate risks and the planning, performance and management of the internal control system;
- c) assess the adequacy of the accounting principles in use and their uniformity for the purposes of the preparation of the consolidated accounts; this is done together with the Manager charged with drafting the Company's financial reports and the audit firm and after consulting the statutory auditors;
- d) oversee the effectiveness of the external auditing process.
- e) review the work plan prepared by the Head of Internal Auditing and the latter's quarterly (or more frequent) reports on the auditing performed;
- f) review any negative findings noted in internal audit reports, or signalled by the board of statutory auditors or individual members thereof, or contained in the audit firm's reports or management letter;

g) evaluate auditing firms' bids in relation to the appointment by the Board and the Shareholders' Meeting of an external auditor, and oversee the external auditor's work; assess the audit plan prepared for the external audit, the results disclosed in the recommendation letter and in general the external auditor's performance, *inter alia* in terms of independence of judgment;

h) review requests to use the appointed audit firm for non-auditing services that are allowed and approve the procedure for applying for prior authorization;

i) carry out any further tasks assigned to it by the board of directors, with special reference to relations with the audit firm;

j) report to the board of directors, at least half-yearly, on the occasion of the approval of the annual Accounts and half-yearly Report, on activities undertaken by and the adequacy of the internal control system.

In 2009, the Internal Control and Corporate Governance Committee met eight times (average length of meeting: 2.5 hours), had proper access to the corporate information it required and chiefly examined:

- fees for the accounting firm retained to audit the accounts and for other activities
- reports drafted by Internal Auditing in 2009;
- the correctness of the accounting principles, in agreement with the head of Group Administration, Finance and Tax Affairs, the board of statutory auditors and the accounting firm;
- the annual report on the functioning of the internal control system and the report on the organizational, administrative and accounting structures;

In 2010, the Committee has so far met four times and discussed the following:

- the method used for defining the 2010 Audit Plan prepared on the basis of a risk analysis of all the Group's business;
- the draft version of this Report;
- the updated version of the procedures for disclosure of price-sensitive information and Internal Dealing and of the new Financial Policy;
- advance application of IFRS3R, to improve representation of the Group's recent aggregations.

All meetings are minuted.

Committee meetings are attended by the head of Group Internal Audit and, at the chairman's invitation, the Group's senior managers are involved in discussions of specific topics. The full board of statutory auditors also usually takes part.

Actual attendance of meetings by each of the directors is detailed (%) in Table 1 of the annexes.

Eight meetings are planned for 2010 (four of which already took place before the drafting of this Report).

For the fulfilment of its tasks over the year, the Committee had a fund of €15,000 allocated by the board of directors meeting on 21 January 2009.

## 11. INTERNAL CONTROL SYSTEM

*The internal control system is a system of rules, procedures and organizational structures designed to identify, measure, manage and monitor risks.*

The internal control system used by Autogrill is the sum of the rules, procedures and organizational structures designed to promote – by means of an appropriate system of identification, measurement, management and monitoring of the main risks – company management that is sound, correct and in line with objectives.

The system works through:

- identification of the corporate governance rules with which all staff's everyday conduct must comply;
- creation and adoption of a continuous control system by management through operating procedures and advanced planning and control systems;
- drawing up a scheme of delegated powers, functions and signing powers capable of promoting conduct in line with the organizational structure.

As laid down in its Code of Ethics, Autogrill takes measures aimed at developing the principle of responsibility vested in all controlled subjects and setting up a control system appropriate to its business, wherever it operates.

Autogrill takes steps to promulgate throughout the Group and at all levels the idea that a proper internal control system is an indispensable condition for the attainment of its business objectives.

Autogrill has developed Group-wide procedures to ensure governance and control of the main decision-making processes and compliance with specific regulations, in subsidiaries as well as the Parent. The main procedures – in addition to those mentioned in this Report and published in the Company's website ([www.autogrill.com](http://www.autogrill.com)) – regard investments, financial policy, financial risk hedging and the financial reporting package.

Further, Autogrill Group launched a process to implement a risk identification and management model (Enterprise Risk Management) that integrates the internal control system to focus on the risk analysis component in a more risk-oriented approach in terms of both business risks and financial reporting risks.

### **Main characteristics of existing risk management and internal control systems in relation to the financial reporting process**

#### **Introduction**

#### **Purpose and objectives**

Within the internal control system, the Administrative-Accounting Organization Model (the "Model") is a key component with respect to financial reporting. The Model was implemented when the Group's internal control system was modified to meet the requirements of law 262/05 and subsequently optimized, which was an opportunity to review the internal control system and integrate the control activities carried out by business functions at various levels.

The paragraphs below will illustrate how Autogrill defined its risk management and internal control systems in relation to the financial reporting process. The system aims to significantly reduce the risks threatening the reliability, trustworthiness, accuracy and timeliness of Autogrill Group's financial reporting.

### **Main reference legislation and models**

The reference model adopted by Autogrill when implementing its internal control system is in line with national and international best practice, such as the COSO framework (COSO report) and the Confindustria Guidelines. The Model plays a fundamental role in ensuring compliance with the provisions of law by which Autogrill is bound as a company listed on a regulated market, including law 262/2005 ("Investor Protection"), articles 154 bis and 123 bis transcribed from said law into the Consolidated Finance Acts, legislative decree 195/07 (the so-called "Transparency decree"), and with the recommendations of the Corporate Governance Code.

### **Roles and functions**

Autogrill Group's organizational structure provides for the following divisions of activities involved in the implementation, maintenance and development of the control model for the purposes of financial reporting:

Operating personnel in Autogrill Group's Reporting Units

- carry out checks monitoring the business for which they are responsible and, in particular, those ensuring correct representation of consolidated financial statement reporting, as defined by the Group holding company.

Officer responsible for drafting the Company's accounting documents

- regularly updates the perimeter of action;
- defines the annual plan of activities for the individual Reporting Units;
- communicates timings and expected results to all subjects involved in the activities.

Internal Audit Function:

- assists the Officer responsible for drafting the Company's accounting documents, and in particular with the testing of controls and co-ordination of work groups that do testing in the Reporting Units;

- communicates the results of its activities to the Officer responsible for drafting the Company's accounting documents in specific reports.

Reporting Unit (Internal Audit/local work group function):

- carries out testing of the administrative-accounting controls system scheduled in the annual plan as communicated by the Officer responsible for drafting the Company's accounting documents and/or the head of the Group Internal Audit, the latter in connection with the activities for which he or she is responsible.

The operating roles carried out by the functions listed above are part of the wider context of the Company's governance system, in which various officers have control functions, such as the board of directors, which approves the policies of the Internal Control System and makes sure that the Officer responsible for drafting the Company's accounting documents has adequate powers and means; the Internal Control Committee, which regularly organizes meetings with the Officer responsible for drafting the Company's accounting documents to define the content of action, also involving the board of statutory auditors to assess the compliance of the work of the Officer responsible for drafting the Company's accounting documents with the provisions of law and identify any consequences for the Company's administrative-accounting system.

### **Methodological approach**

Every year, Autogrill updates the perimeter of analysis of the administrative-accounting controls and the monitoring of the underlying processes to ensure it is able to cover the risks attaching to the financial reporting of the more significant items in the consolidation perimeter as specified in greater detail in the section on risk & control analysis.

In line with national and international best practice, Autogrill Group has adopted a methodological approach regarding the analyses that each of the Reporting Units has to carry out. The approach is in five main steps:

- a) Entity Level and General IT Controls: mapping of internal control as a process carried out by the board of directors, the management and personnel designed to provide reasonable assurance of the achievement of business objectives in the following categories:
  - efficacy and efficiency of operating activities (operations);
  - reliability of financial reporting (reporting);
  - conformity to applicable laws and regulations (compliance).
- b) Risk & Control Analysis: identification and assessment of risks and relative controls through mapping of processes;

- c) monitoring of the state of implementation of action plans defined to fill any gaps revealed by the mapping of processes, risks and controls and testing during the previous year;
- d) testing and reporting on Internal Controls: planning and implementation of tests on key controls identified during the mapping of processes-risks-controls. Following such monitoring of operating effectiveness, action plans are defined to remedy any gaps found in the testing phase and review of results with the Officer responsible for drafting the Company's accounting documents.

## SYSTEM ELEMENTS

### a) Mapping of Entity Level Controls and IT General Controls

The design of the internal control system is based on two types of analysis:

- synthetic and overall analysis, at Group holding company and Group level, of the control system (at functional/organizational level) and of information systems;
- analysis at the level of the single process using a matrix that correlates processes/balance sheet-financial reporting items, identification of risks and assessment of controls; this level is described in b) Risk & Control Analysis hereunder.

Regarding synthetic and overall analysis, there is an annual review of the control environment and the tools available to mitigate the main governance risks, leading to identification and signalling to the top management of any gaps found and corrective action. In particular, as in international best practice, the elements of the internal control system considered for the purposes of assessing Entity Level Controls are:

- control culture within the organization;
- the process of assessing risks that may jeopardize achievement of business objectives;
- control activities mitigating risks;
- the information system and information flows between top management and operating personnel;
- constant monitoring of the quality and results of the internal controls carried out.

Special checklists for mapping the control system at Reporting Unit level were developed to enable analysis of Entity Level Controls. The checklists are sent to

contacts in the Reporting Units so they can examine the documentation and then compile the lists.

The IT General Controls focus on processes in the Information Technology area, linked to the production environment, which support the actual operation of the applications controls.

The environments addressed by these controls include:

- software development;
- modifications to programmes;
- access to programmes and data;
- IT infrastructure.

The mapping and assessment perimeter for IT General Controls also includes any integrations and/or modifications made to IT systems in terms of new applications or substantial changes to existing applications.

#### b) Risk & Control Analysis

Once the processes feeding the main consolidated and reporting package accounts are identified by the Group holding company during the planning process, the Reporting Units identify at individual process level any major risks that may compromise the truthfulness and correctness of financial reporting.

This objective is achieved by adequate understanding of the key activities associated with each process and assessment of the “balance sheet assertions” (existence and occurrence, completeness, rights and obligations, assessment and registration, format and notes) and “other control objectives” (eg. observance of authorized limits, separation of incompatible tasks, checks on the physical security and existence of assets, documentation and traceability of transactions, etc).

The analysis perimeter is initially determined by the impact of each Reporting Unit in the Group on the consolidated accounts and the importance of significant accounts and related administrative/accounting processes (quantitative analysis). The results of this analysis are corroborated and where necessary integrated with qualitative analysis which also takes into consideration the Group’s structure and the characteristics of specific balance sheet items.

The quantitative parameters used are:

- reporting units’ level of contribution to the consolidated accounts;
- degree of relevance (planning materiality) for the purpose of identifying consolidated account items;
- the level of coverage of individual accounts.

Every risk identified in this way is then assessed on a qualitative basis and given a level (high, medium, low). The assessment model used here looks at the probability of the event and the impact it would have on the accuracy of the balance sheet data.

The control objectives having been defined, the controls that are indispensable for covering the main risks identified in a given process are mapped. To achieve an adequate understanding of the key activities associated with each process, thereby ensuring that all risks are properly identified and controlled, the model includes continuous survey activities focussing on:

- analysis of the administrative-accounting procedures and mapping of processes linked to financial reporting;
- identification of risks and controls using a risk&control matrix.

#### c) Monitoring

The objective of the monitoring phase is to check on the implementation of corrective action taken or being taken.

This activity ascertains actual implementation of corrective action plans agreed with process managers in relation to observations made in the analysis phases, the results of which are reviewed with said process managers. In line with the approach adopted at Group level, monitoring is provided by the Internal Audit function, which periodically checks the state of implementation of corrective action plans and promptly informs the Officer responsible for drafting the Company's accounting documents as to the results of its monitoring work.

#### d) Testing and Report on Internal Controls

Testing is done by the Reporting Units in order to ascertain whether the controls designed for the risks identified work effectively and in line with the provisions of the relevant administrative/accounting procedures.

The final phase of testing consists of an assessment of the results of the operating phase and definition of corrective action and/or improvement plans.

The two main information flows regarding the results of testing and assessment of same are:

- from the Reporting Units to the Group Internal Audit function;
- from Group Internal Audit function to the Officer responsible for drafting the Company's accounting documents.

The Group Internal Audit function, in fact, consolidates the results of the testing by the Reporting Units and prepares a report for the Officer responsible for drafting the Company's accounting documents, the CEO, the Internal Control and Corporate Governance Committee and the board of statutory auditors. The report includes remedial plans proposed by the Reporting Units and eventual controls addressing the problems identified in the testing phase and is used by the Officer responsible for drafting the Company's accounting documents when preparing for certification.

## 11.1. EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL SYSTEM

*Responsibility for assessing the internal control system rests with the board of directors.*

The Board periodically checks the effectiveness of the internal control system with the assistance of the Internal Control and Corporate Governance Committee and Internal Audit.

The CEO – pursuant to a resolution of the Board taken at its meeting held on 18 January 2007 and the Corporate Governance Code application principle 8.C.5 – is also tasked with overseeing the workings of the internal control system.

The CEO gave assurance that the “risk and control management system policy” was applied in all Group companies and received Internal Audit’s quarterly reports of the adequacy, efficacy and efficiency of the existing control system.

The CEO is promptly updated by the compliance and control functions regarding new legal and regulatory developments so that processes and functions involved may be adjusted accordingly.

On 4 March 2010, the Board assessed the adequacy, efficacy and actual operation of the internal control system.

## 11.2. PERSON RESPONSIBLE FOR INTERNAL CONTROL

*The Board appointed an internal control officer, proposed by the CEO, in 2007.*

On the proposal of the CEO and with the favourable opinion of the Internal Control and Corporate Governance Committee, the board meeting held on 12 December 2007 appointed Silvio de Girolamo, head of Group Internal Auditing and CSR as Person responsible for Internal Control. This position reports to the CEO and has no operational responsibilities; the Person responsible for Internal Control carries out the tasks specified in the Corporate Governance Code, reporting on them to the Internal Control and Corporate Governance Committee and to the board of Statutory Auditors. The Person responsible for Internal Control carries out tasks requested by the Manager charged with preparing the Company’s financial reports. The board of directors asked the CEO, having consulted the appropriate Committees, to set the compensation of the Person responsible for Internal Control in line with company compensation policies. The Person responsible for Internal Control has an annual budget of financial and human resources.

The officer has access to all the data and information necessary for carrying out his or her tasks.

The roles and responsibilities of the internal control system are identified in the Group’s “Risk and control management system policy”.

The internal control system works through:

- “primary line controls” of Company processes by each unit and Group company; responsibility for these controls lies with the management and is an integral part of each process;

- “secondary controls” by compliance functions supporting the management for the good functioning of the system;
- the Internal Audit Department, identified in the Person responsible for Internal Control, who is head of Internal Audit, which analyses risk across all the operations and processes mapped within each Group company and monitors primary and secondary line controls:
  - by means of specific audits;
  - by following up corrective action recommended during an audit to improve the internal control system.

Within the Company's internal control system there are staff functions charged with monitoring the factors that are useful in ensuring continuous information on economic and market trends and events and in being able to manage potential risk and intercept opportunities.

The area of reference is everywhere the Group operates, with special focus on emerging markets.

The results of all internal audits are promptly brought to the attention of the managing director (CEO), senior management and, at least on a quarterly basis, the Internal Control and Corporate Governance Committee and the board of statutory auditors, who are required by §149, T.U.F., to monitor the adequacy of the internal control system.

### **11.3. ORGANIZATION MODEL pursuant to legislative decree 231/2001**

*Autogrill's Organization Model can be consulted on the Company's website, [www.autogrill.com](http://www.autogrill.com).*

On 9 July 2003, the board of directors approved and adopted the Organization, Management and Control Model (hereafter the “Model”) and appointed the Supervisory Body (the “O.D.V.”) pursuant to Legislative Decree 231/2001. This legislation introduced the discipline of corporate liability into Italian legal system. Companies are considered liable in respect of certain offences committed or attempted by directors or staff in the interests or to the benefit of the company itself. This liability is precluded provided that the company has adopted organizational, managerial and control models to prevent such offences being committed and has set up the prescribed supervisory body to monitor the functioning of and compliance with the Model.

*Autogrill adopted the organization model and appointed a Supervisory Body in 2003.*

As required by the law as subsequently supplemented and amended, the Company took steps to map the activities for which each organizational structure was responsible, to identify the corporate functions involved in activity most exposed to the risks detailed in Legislative Decree 231, 6 June 2001, and to set up a corporate archive of ‘sensitive’ activities. For each sensitive activity identified a risk assessment schedule was prepared containing:

- (i) details of the types of offence contemplated by the law and the main ways in which they may be committed;
- (ii) details of the system of preventive measures;
- (iii) an assessment of the adequacy of such measures.

The Model includes policies and measures designed to ensure that business is conducted legally and to identify and eliminate situations at risk, and also to penalize failure to observe its prescriptions.

The Model is on one General Part and 11 Special Parts:

- A. Code of Ethics
- B. Assignment and delegation of powers
- C. The disciplinary system
- D. Offences against the public administration
- E. Company law offences
- F. Offences of terrorism or subversion of democratic order
- G. Offences against the person
- H. Market abuse
- I. Accidental killing or serious/very serious accidental injury in breach of workplace health and safety regulations
- L. Computer crime and illegal processing of data
- M. Handling stolen goods, money laundering and use of goods of illicit origin

The Organization Model pursuant to legislative decree 231/01 can be consulted on the Company's website ([www.autogrill.com](http://www.autogrill.com)).

A periodic check leading to changes to the Model is envisaged when there is evidence of risk, including potential risk, ie. when changes are made to the organization or its business or to the relevant legislation or regulations.

*The O.D.V. comprises an economics and finance expert, the director of Group Organization Development and the head of Internal Auditing.*

Currently the O.D.V. comprises an economics and finance expert, Marco Desiderato, the director of Group Organization Development, Alessandro Preda, and the head of Group Internal Auditing, Silvio de Girolamo.

On 20 February 2009, following a resolution by the board of directors, the Special Part of the Model entitled "Offences against workplace health and safety" was updated in response to the introduction of legislative decree 81/08 "Consolidated Workplace Health and Safety Acts".

Over the year, risk analysis continued on areas deemed sensitive in respect of the offences of handling stolen goods, money laundering and use of goods of illicit

origin (art 25-octies, legislative decree 231/2001) and computer crime and illegal processing of data (art. 24-bis legislative decree 231/2001) and such offences were added to the Special Parts of the Model approved by resolution of the Board on 16 December 2009.

On the initiative of the O.d.V., risk analysis on the offences of counterfeiting and breach of industrial and commercial freedom (art. 25-bis and 25-bis1, legislative decree 231/2001) and breach of copyright (art. 25-nonies) was started.

Staff training also continued on activities deemed sensitive by the Organization Model. A pilot on-line training course was introduced for the first time. The Internal Audit function carried out its customary direct audits to check that conduct of business and company processes comply with the Model.

The O.D.V. met four times in 2009 and reported to the board of directors and the statutory auditors half-yearly on the level of implementation of and compliance with the Model.

#### **11.4. AUDIT FIRM**

On 29 July 2005, the board of directors adopted a Group-wide procedure for the selection of audit firms of Autogrill and its subsidiaries. The procedure ensures that the Parent's audit firm is also responsible for audits of subsidiaries of Autogrill. Use of firms other than that indicated by the Parent shall be properly justified and agreed in advance with the Internal Control and Corporate Governance Committee.

The procedure also aims to guarantee the independence of the audit firm in respect of the appointing auditee. To this end mandates for services incompatible with the audit role may not be given to the audit firm, in accordance with current regulations. The first application of this procedure occurred at the shareholders' meeting held on 27 April 2006, which appointed KPMG S.p.A., Milan, as the Company's audit firm for 2006-2011 period.

#### **11.5. MANAGER CHARGED WITH PREPARING THE COMPANY'S FINANCIAL REPORTS**

*The Company appointed its Chief Administration Officer as the new Manager charged with preparing the Company's financial reports in 2008.*

Under §18 of the by-laws, the board of directors, acting on the CEO's proposal and having noted the non-binding opinion of the board of statutory auditors, appoints the Manager charged with preparing the Company's financial reports. This officer must have a university education and at least five years' experience in accounting, economics and finance, together with any further requisites laid down by the board of directors or the law or regulations. In addition to the aforementioned requisites, the board of directors determined that the Financial Reporting Officer should be subject to the provisions of eligibility and termination of office in §2382, Italian Civil Code.

On 27 August 2008, the board of directors, with the approval of the board of statutory auditors and the Internal Control and Corporate Governance Committee, appointed Mario Zanini (Chief Accounting Officer) as the Manager charged with preparing the Company's financial reports, as of 1 September 2008. The Manager charged with preparing the Company's financial reports was informed and vested with powers enabling performance of such duties, also with reference to the provisions of the Rules disciplining the role of Manager charged with preparing the Company's financial reports approved by the Board on 18 March 2008. To carry out his/her tasks, the Manager charged with preparing the Company's financial reports has an annual budget of financial and human resources proposed by him/herself and approved by the board of directors.

## 12. DIRECTORS' INTERESTS AND RELATED-PARTY TRANSACTIONS

*The board of directors approved the related-party transaction procedure in 2006. The procedure can be consulted on the Company's website [www.autogrill.com/governance/regolamentiprocedure.aspx](http://www.autogrill.com/governance/regolamentiprocedure.aspx).*

The board of directors, at its meeting on 24 January 2006, approved the procedure concerning related-party transactions executed by Autogrill or its subsidiaries. This procedure governs both related-party transactions conducted in the normal run of business by the Parent Company which do not evince critical issues (usual transactions) and those outside the normal business of the Parent Company (material transactions or material and large transactions).

The board of directors is properly informed at each meeting of all related-party transactions, including those carried out within delegated powers. Related-party transactions carried out by the Company (as defined in IAS 24) and inter-company transactions are settled at arm's length, i.e., on terms that would have applied between two independent counterparties complying with principles of substantive and procedural correctness.

Usual transactions, including inter-company transactions, are reported to the Autogrill Board for information purposes.

Material transactions or material and large transactions, as defined in the procedure's criteria for identifying and listing examples of specific operations, are submitted for prior approval to the board of directors, who may approve the operation, not approve it or seek the opinion of the Internal Control and Corporate Governance Committee and/or expert legal, technical or financial advisers pending a definitive decision of approval or non-approval by the Board.

When the Board is in the process of adopting a resolution, any director with an interest in the transaction (including potential and indirect interests) promptly informs the Board and leaves the meeting when the resolution is taken, unless this impairs the quorum, in which case the director concerned will not speak and will abstain from voting.

To identify correlated parties in respect of directors, the Company regularly obtains written statements from same containing a list of their close relatives and of entities controlled by the directors or subject to joint control or subject, even indirectly, to considerable influence from same.

The list of correlated parties is periodically updated on the basis of information received and available and is distributed from time to time to the departments of the Company and of its subsidiaries.

Where the nature, the amount or other characteristics of a related-party transaction require it, in order to prevent the transaction being concluded under terms and conditions different from those that would have been agreed between unrelated parties, the Board may call in independent experts to express a technical, financial or legal opinion; different experts may be used for each of the parties in the more significant cases.

Material and large transactions – i.e., those that might have a significant impact on Company assets or the completeness and accuracy of information relating to Autogrill, including accounting data – shall, once approved by the board of directors, be made public by means of an information memorandum or press release.

Related-party transactions are disclosed in a specific section of the Report on Operations included in the annual report and accounts.

As of the time of writing there have been no related-party transactions – including transactions carried out through subsidiaries – which by reason of purpose, price, methods used or time-scale would be included among those requiring to be notified to the market pursuant to §71 bis, Consob Regulations.

It should also be noted that the contractual relationships connected with the award of catering and retail concessions along motorways managed by companies controlled by Atlantia S.p.A. are conducted according to competitive and transparent procedures managed by an independent advisor as required by the Italian anti-trust authority (Autorità Garante della Concorrenza and del Mercato).

Atlantia S.p.A. and Autogrill S.p.A. are both controlled by Edizione S.r.l.

### **13. APPOINTMENT OF STATUTORY AUDITORS**

Under article 20 of the by-laws, the board of statutory auditors is elected by the Shareholders' Meeting on the basis of lists submitted by the shareholders. The lists of candidates for the office of statutory auditor together with exhaustive information as to their personal and professional characteristics, are filed by shareholders at least fifteen days prior to the date of the Meeting and are promptly made available to the public by the Company at its headquarters, Borsa Italiana S.p.A. and on the Company's website ([www.autogrill.com](http://www.autogrill.com)).

Lists may be presented by shareholders who, alone or together with others, represent at least 1.5% of the share capital or any other lower legal or regulatory percentage.

It should be noted on this point that Consob recently fixed the minimum participation for presentation of list of candidates for Autogrill boards of directors and statutory auditors at 2% (resolution 17148, 27<sup>th</sup> January 2010) pursuant to art. 144-quater, Issuers' Regulations. The aforesaid lower percentage provided for in the by-laws therefore remains applicable.

Pursuant to the rules laid down in T.U.F., the Company has included in §20 of its by-laws provisions designed to enable a standing and an alternate member of the board of Statutory Auditors to be elected on a list vote.

## 14. STATUTORY AUDITORS

The current board of statutory auditors was elected by list vote at the Shareholders' Meeting on 21 April 2009 and will remain in office until approval of the financial statements at 31/12/2011. The Board's members voted from the only list, submitted by the majority shareholder Schematrentaquattro S.r.l., are the standing auditors Luigi Biscozzi (chairman), Ettore Maria Tosi and Eugenio Colucci, and alternate auditors Giuseppe Angiolini and Giorgio Silva.

With votes representing 65.4% of the share capital, all the candidates in the list presented were elected. The above mentioned composition of the board of statutory auditors has not changed as of the date of this Report. As resolved at the shareholders' meeting held on 21 April 2009, each statutory auditor is entitled to the minimum compensation specified in the professional tables of the "*dottori commercialisti*" (qualified accountants' register). The Company's annual accounts state the amount of compensation paid to each statutory auditor.

Further details on the board of statutory auditors can be found in Table 2 in the annexes.

Career profiles of the statutory auditors are given below.

### **Luigi Biscozzi**

#### **Standing auditor - Chairman**

Born in Salice Trentino (Lecce) in 1934, he graduated in economics and business from the Bocconi University in Milan. He has been on the roll of chartered accountants of Milan since 1966 and Official Auditor since 1972. From 1961 to 1972 he was manager and partner of the tax section of KPMG Peat Marwick in Milan. He was a founding partner of the tax law firm L. Biscozzi - A. Fantozzi (now Biscozzi Nobili), and is an expert in tax law, corporate, company law and tax advisory for Italian and foreign companies. He has been chairman of the board of statutory auditors of Autogrill S.p.A. since 2006, and holds the same office in Costa Crociere S.p.A., New Mood S.p.A. and Crociere Mercurio S.r.l.. He is a statutory auditor of Immobiliare Adamello S.r.l., Polimeri Europa S.p.A., Sony BMG Music Entertainment S.p.A., Touring Servizi S.r.l., Touring Vacanze S.r.l. and Touring Viaggi S.r.l.

## **Eugenio Colucci**

### **Standing auditor**

Born in Lucera (FG) in 1946, he graduated in economics and business studies at Università L. Bocconi in Milan.

He has been on the Register of accounting auditors ("Registro dei Revisori Contabili") since it was formed (and no longer in the "Albo dei Dottori Commercialisti" having applied to be taken off it as of 1<sup>st</sup> January 2007).

He started his career in 1969, with Arthur Andersen, where he became a partner in 1982 and was Audit Partner, chairman of the Committee on Professional Standards, Practice Director for Italy (1989 onwards), for Luxembourg (1994 onwards) and for Greece. He was also Professional Practice Director in the company formed by the integration of Arthur Andersen and Deloitte, which he left on 1<sup>st</sup> June 2004 to work independently. From May 2002 to April 2005 he was a member of the Executive Committee of the Organismo Italiano di Contabilità (Italian accounting standards organization).

He has been a statutory auditor at Autogrill S.p.A. since 2009. He is chairman of the statutory auditors at Assicurazioni Generali S.p.A and a director of EXOR S.p.A., where he is also chairman of the Internal Control Committee.

## **Ettore Maria Tosi**

### **Statutory Auditor**

Born in 1946 in Angera (Varese), he graduated in economics and business from the Bocconi University in Milan. He has been on the roll of chartered accountants since 1974, initially in the Busto Arsizio Order and subsequently in that of Milan. He is also on the roll of technical advisors to the Courts of Milan. He has been a member of the board of statutory auditors of Autogrill S.p.A., and holds the same office in Nuova Sidap S.r.l. and Hay Group S.r.l.. He is chairman of the statutory auditors at Dasit S.p.A.. He was a standing auditor at Banca Popolare di Milano S.c.ar.l. and Alenia Aermacchi S.p.A. and has been an auditor for Ente Morale Associazione Amici del Centro Dino Ferrari since 1996.

The 11 meetings of the board of statutory auditors in 2009 (six of which held by the board of statutory auditors currently in office) had an average duration of around 2 hours. 11 meetings are scheduled for 2010, of which four have already been held.

\*\*\*

Pursuant to §3, Decree 162 (30 March 2000) issued by the Justice Minister in concert with the Treasury Minister, the Board has ascertained that the current members of the board of Statutory Auditors are in possession of the requisites laid down in §1 and §2 of the above Decree. Specifically, the statutory auditors are enrolled in the register of "revisori contabili" ('accounting auditors') and have exercised the profession for at least three years.

On 11 February 2009, the board of statutory auditors ascertained that all its members were in possession of the independence requisites pursuant to 10.C.2 of the Corporate Governance Code and on 27th November 2009 the board of statutory auditors in office endorsed that assessment.

On 12 December 2007, the board of directors voted that statutory auditors shall have the same independence requisites as those applied to the directors.

On carrying out the aforementioned assessment of the independence requisites of its members, the board of statutory auditors thus applied the criteria provided for in the Code regarding the independence requisites of directors, as assimilated by the board of directors.

The board of statutory auditors monitors the independence of the audit firm, in accordance with Company procedure, with special reference to appointments that are incompatible with external auditing. In addition, in the performance of its duties the board of statutory auditors liaises with the Internal Control and Corporate Governance Committee and the Group's Internal Audit department.

## 15. INVESTOR RELATIONS

*The Investor Relations function was introduced in 1997 to establish ongoing dialogue with shareholders and investors.*

The Company set up its investor relations unit in 1997 with the aim of initiating and maintaining continuous dialogue with shareholders in general and institutional investors and analysts in particular. Suitably funded and resourced, the unit works in line with senior management's decisions by promptly making information on business performance and significant events available to the public, providing continuous telephone contact and periodical meetings with investors and analysts and publishing statutory documents and additional information in further explanation of the Group's strategic and operating decisions. Information of particular relevance to shareholders, accounting and corporate documents, financial releases, procedures, codes and any other information regarding the Company are posted in the Investor Relations section of the Company's website ([www.autogrill.com](http://www.autogrill.com)).

The Investor Relations Manager is Elisabetta Cugnasca.

In 2009, investor relations activities included:

- 204 meetings with investors (one-to-one or conference calls);
- 13 road-shows;
- participation in 3 conferences organized by brokers/financial institutions;
- 1 analysts meeting on publication of the financial report for 2008;
- 3 conference calls on publication of financial reports (1<sup>st</sup> and 3<sup>rd</sup> quarters and 1<sup>st</sup> half reports).

The following meetings by corporate bodies to examine and approve accounts are scheduled for 2010:

- 20 April: shareholders' meeting to approve the 2009 accounts (1<sup>st</sup> call)
- 27 April: shareholders' meeting to approve the 2009 accounts (2<sup>nd</sup> call)
- 11 May: interim report on operations as at 31 March 2010
- 29 July: first half report on operations as at 30 June 2010
- 10 November: interim report on operations as at 30 September 2010.

## 16. SHAREHOLDERS' MEETINGS (ex art. 123-bis, clause 2c, TUF)

Notice of Meeting, quorums, validity of resolutions voted, eligibility to participate and proxy voting are disciplined by the law.

As an alternative to publication in the *Gazzetta Ufficiale*, the Shareholders' Meeting may be called by means of a notice in the daily newspaper "Il Sole 24 Ore" and, possibly, in the daily newspaper "La Repubblica" and/or "Il Corriere della Sera" with prior notice that may not be less than the minimum required by law in respect of the date fixed for the Shareholders' Meeting.

Article 15 of the By-laws empowers the board of directors, as allowed by art. 2365, clause 2, Civil Code, to pass resolutions on certain matter indicated in section 4.1 of this Report.

In order to take part in Shareholders' Meetings, §7 of the by-laws requires presentation of the certificates issued by brokers at least two business days before the date of the Shareholders' Meeting. This matter is noted in the notice of the Shareholders' Meeting published in the *Gazzetta Ufficiale*, the press and the Company's website. The by-laws do not permit taking part in the Shareholders' Meeting other than by being physically present.

\*\*\*

Meetings are conducted according to the rule laid down in the Rules for Shareholders' Meetings approved by the Shareholders' Meeting, on a motion by the board of directors, on 27 April 2004 and posted on the Company's website ([www.autogrill.com/governance/regolamentiprocedure](http://www.autogrill.com/governance/regolamentiprocedure)).

In particular, such Rules require that upon the opening of a Shareholders' Meeting the chairman of the Meeting must fix the maximum duration of each intervention, usually 15 minutes. Requests to address the Meeting on individual items on the agenda may be made to the chairman's office upon constitution of the Meeting and up to such time as the chairman of the Meeting opens discussion on each item on the agenda. A shareholder may only speak once on each item on the agenda.

\*\*\*

The Shareholders' Meeting is the official opportunity to meet and discuss matters between the directors and the shareholders.

In the 2009 Meeting, information was provided, at the request of the shareholders, on the Company's performance and on the items on the agenda. The documents and information (already made public) required by applicable law were delivered to the shareholders within the legal term at the registered office and secondary headquarters of the Company, at Borsa Italiana S.p.A. and on the Company's website ([www.autogrill.com](http://www.autogrill.com)).

In 2009, the market capitalization of the Company was around 60% higher than that of the Mercato Telematico Azionario median (in 1<sup>st</sup> quarter 2010, over-performance was about 40%).

As already noted in section 4.1, on the basis of the Company's capitalization in 2009, Consob fixed the minimum participation for presentation of lists of candidates for Autogrill boards of directors and statutory auditors at 2% (resolution 17148, 27<sup>th</sup> January 2010) pursuant to art. 144-quarter, Issuers' Regulations. The application of the lower percentage of 1.5% provided for in the by-laws therefore remains valid.

Gruppo Generali's interest in the Company fell below the 2% threshold.

## **17. OTHER CORPORATE GOVERNANCE PRACTICES**

See section 11 of this Report.

## **18. CHANGES AFTER THE CLOSE OF 2009**

No changes to the corporate governance structure have occurred since the close of 2009.

## TABLES

**TABLE 1: STRUCTURE OF BOARD OF DIRECTORS AND ITS COMMITTEES**

Board of Directors											Internal control & e corp. gov. Committee	Human Resources Committee
Office	Members	In office since	In office till	List (M/m) *	Exec.	Non exec.	Indep. for Code **	Indep. for T.U.F.	% ***	Number of other offices ****	*****	*****
Chairman	Benetton Gilberto	23/4/08	Approval of accounts at 31.12.2010	M		X			90	3		
Director Delegato	Tondato Da Ruos Gianmario	23/4/08	Approval of accounts at 31.12.2010	M	X				100	1		
Director	Benetton Alessandro	23/4/08	Approval of accounts at 31.12.2010	M		X			80	1		
Director	Brunetti Giorgio	23/4/08	Approval of accounts at 31.12.2010	M		X	X		80; 100	-	X	
Director	Bulgheroni Antonio	23/4/08	Approval of accounts at 31.12.2010	M		X	X	X	100; 81	2		X
Director	Camuffo Arnaldo	23/4/08	Approval of accounts at 31.12.2010	M		X	X	X	100; 100	1		X
Director	Costamagna Claudio	23/4/08	Approval of accounts at 31.12.2010	M		X	X	X	80; 81	3		X
Director	Giavazzi Francesco	23/4/08	Approval of accounts at 31.12.2010	M		X	X	X	90	-		
Director	Gómez- Navarro Javier	23/4/08	Approval of accounts at 31.12.2010	M		X			80	1		
Director	Malguzzi Alfredo	23/4/08	Approval of accounts at 31.12.2010	M		X	X		90; 100; 100	4	X	X
Director	Mion Gianni	23/4/08	Approval of accounts at 31.12.2010	M		X			90; 100	1		X
Director	Roverato Paolo	23/4/08	Approval of accounts at 31.12.2010	M		X			100; 87,5	1	X	
-----DIRECTORS LEAVING OFFICE IN REFERENCE PERIOD-----												
-	-											

Quorum for presenting lists at last appointment: 1.5%.

No. meetings held in reference period: BoD: 10; I.C.C.: 8; H.R.C.: 11.

### NOTES

\* Elected from majority list (M) or minority list (m).

\*\* Independent as defined in the Corporate Governance Code as modified by resolution of the board of directors on 12 December 2007.

\*\*\* Attendance (%) at meetings of the BoD and its committees (# of meetings actually attended out of total meetings held during period in office).

\*\*\*\* Number of directorships or statutory auditorships held in other companies according to the criteria adopted by resolution of Autogrill's Board on 12 December 2007 and endorsed by resolution passed on 4 March 2010 indicated in section 4.2 of this Report.

\*\*\*\*\* "X" = membership of Committee.

## List of offices held by directors

Detailed below are the posts held by the directors, as of the date of this Report, in other companies on the basis of the criteria adopted by Autogrill's board of directors on 12th December 2007 and endorsed by resolution passed on 4 March 2010 indicated in section 4.2 of this Report.

Director	Office	Company
Gilberto Benetton	Director	Allianz S.p.A.
	Director	Mediobanca S.p.A.
	Director	Pirelli & C. S.p.A.
	Director	Atlantia S.p.A. (gruppo Edizione S.r.l.)
	Director	Benetton Group S.p.A. (gruppo Edizione S.r.l.)
Gianmario Tondato	Director	Lottomatica S.p.A.
Alessandro Benetton	Director and vice-chairman	NordEst Merchant S.p.A.
	Vice-chairman and member of the executive committee	Benetton Group S.p.A. (gruppo Edizione S.r.l.)
	Director and Chairman without executive powers	21 Investimenti SGR S.p.A. (gruppo Edizione S.r.l.)
	Chairman of the Supervisory Board	21 Centrale Partners SA (gruppo Edizione S.r.l.)
	Chairman	Schemaquattordici S.p.A. (gruppo Edizione S.r.l.)
Giorgio Brunetti	Chairman	21 Partners S.p.A. (gruppo Edizione S.r.l.)
Antonio Bulgheroni	Director	Benetton Group S.p.A. (gruppo Edizione S.r.l.)
	Chairman	Banca Popolare Commercio e Industria S.p.A.
Arnaldo Camuffo	Director	Lindt & Sprüngli Holding
	Director	Carraro S.p.A.
Claudio Costamagna	Director	Bulgari S.p.A.
	Director	Dea Capital S.p.A.
	Director	Luxottica Group S.p.A.
Francesco Giavazzi	-	-
Javier Gómez-Navarro	Director	Tecnicas Reunidas
Gianni Mion	Director	Luxottica Group S.p.A.
	Director	Atlantia S.p.A. (gruppo Edizione S.r.l.)
	Director	Benetton Group S.p.A. (gruppo Edizione S.r.l.)
Alfredo Malguzzi	Chairman of the board of statutory auditors	Consilium SGR S.p.A.
	Director	FinecoBank S.p.A.
	Standing auditor	Interpump Group S.p.A.
	Standing auditor	BNP PARIBAS Lease Group S.p.A.
	Director	Benetton Group S.p.A. (gruppo Edizione S.r.l.)
Paolo Roverato	Director	AdF Aeroporto di Firenze S.p.A.
	Director	Edizione Property S.p.A. (gruppo Edizione S.r.l.)
	Director	Investimenti Infrastrutture S.p.A. (gruppo Edizione S.r.l.)

**TABLE 2: STRUCTURE OF THE BOARD OF STATUTORY AUDITORS**

**Board of statutory auditors**

Office	Member	In office since	In office till	List (M/m)*	Independence as per Code**	*** %	Number of other offices****
Chairman	Luigi Biscozzi	21.4.2009	Approval of accounts at 31.12.2011	M	X	100%	13
Standing auditor	Eugenio Colucci	21.4.2009	Approval of accounts at 31.12.2011	M	X	100%	3
Standing auditor	Ettore Maria Tosi	21.4.2009	Approval of accounts at 31.12.2011	M	X	100%	5
Reserve auditor	Giuseppe Angiolini	21.4.2009	Approval of accounts at 31.12.2011	M	X		
Reserve auditor	Giorgio Silva	21.4.2009	Approval of accounts at 31.12.2011	M	X		

-----**STATUTORY AUDITORS LEAVING OFFICE IN REFERENCE PERIOD**-----

Standing auditor	Gianluca Ponzellini		Approval of accounts at 31.12.2008	M	X		
Reserve auditor	Graziano Gianmichele Visentin		Approval of accounts at 31.12.2008	M	X		

Quorum for presenting lists at last appointment: 1.5%.

No. meetings held in reference period: 11.

\* Elected from majority list (M) or minority list (m)

\*\* Independent as defined in the Corporate Governance Code as modified by resolution of the board of directors on 12 December 2007.

\*\*\* Attendance (%) at meetings of the Board of Statutory Auditors (# of meetings actually attended out of total meetings held during period in office).

\*\*\*\* Number of directorships or statutory auditorships held in other companies as defined in art. 148 bis TUF. The full list of offices is attached, pursuant to art. 144-quinquiesdecies, Consob Issuers' regulations, to the supervision report drawn up by the statutory auditors pursuant to art. 153, TUF.