



Annual Report on Corporate Governance  
of Seat Pagine Gialle S.p.A.

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*The following text is a translation, the Italian version will prevail*



# Annual Report on Corporate Governance of Seat Pagine Gialle S.p.A.

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## Annual Report on Corporate Governance of Seat Pagine Gialle S.p.A.

### Background

Seat Pagine Gialle SpA (hereinafter also referred to as “SEAT” or “the Company”) has adopted a Corporate Governance structure characterised by a set of rules, behaviours and processes aimed at ensuring an efficient and transparent corporate governance system. The Company’s corporate governance system is based on the application principles and criteria defined by the Corporate Governance Code (hereinafter also referred to as “the Code”), produced by the Corporate Governance Committee promoted by the Italian Stock Exchange, representing entrepreneurs and market participants. It is specified that the Board of Directors resolved to adopt the current version of the Code (circulated in March 2006) starting from December 19, 2006, assessing the application of the recommendations expressed therein in a positive manner.

### Updating during 2007

The governance structure adopted by SEAT ensures that all shareholders are protected and, also in compliance with the best practice found at national and international level, is constantly updated, through both internal rules of conduct and with regard to the regulation of relationships with third parties and, in particular with stakeholders.

In this regard, note that during 2007 the Extraordinary Shareholders’ Meeting of the Company resolved, on the proposal of the Board of Directors, to align the Articles of Association with the provisions introduced by Law no. 262 of December 28, 2005, bearing “Provisions for savings protection and regulations on capital markets” (hereinafter also referred to as the “Savings Act”), as amended by Legislative Decree no. 303 of December 29, 2006: as it is known, the Savings Act introduced a set of significant amendments to the provisions contained in the Italian Civil Code and in Legislative Decree no. 58 of February 24, 1998 (“TUF”, *Testo Unico della Finanza*, Consolidation Act on Finance), with the aim of making more effective the protection of the assets invested in financial instruments.

This document also seizes the opportunity to promote some updating amendments (see articles 5 and 8 of the Articles of Association), in order to make the rules in the articles of association more complete and clearer and to adopt some recommendations (deadline for filing lists of candidates as Director and Statutory Auditor) of the Code dated March 2006.

In view of leaving the pre-existing mechanism - already characterised by a list-based voting system - substantially unchanged, the Articles of Association have adopted rules requiring the Board of Directors to be comprised of an adequate number of members who meet the independence requirements laid down in the applicable regulations. The provisions laid down in the articles of association in relation to the appointment of members elected by minority interests to the Board of Directors and to the Board of Statutory Auditors have also been aligned with the new rules. Finally,

new clauses have been introduced which are aimed at regulating the appointment of the Manager responsible for preparing the Company's financial reports (pursuant to Article 154-*bis* of the TUF).

*This Report provides detailed information on the abovementioned amendments to the Articles of Association made during 2007.*

Having said this, in compliance with current provisions, below is an analytical description of the corporate governance system and of the behaviour adopted by the Company in the light of a correct governance and control system. Attention is particularly paid to:

- general information regarding the Company, also including the description of the ownership structures pursuant to Article 123-*bis* of the TUF;
- the degree the recommendations contained in the individual principles and criteria set out in the Code are applied, consistently with the provisions under Articles 124-*bis* of the TUF and 89-*bis* of the Issuers' Regulations of Consob<sup>1</sup>, as well as with the recommendations expressed in the Introductory Principle of the Code, in order to provide full information about the extent to which the Company complies with the Code itself;
- summary information in tabular form.

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<sup>1</sup> Resolution no. 11971/99, as amended and supplemented.

## SECTION I

### Information on the Company and ownership structures

#### Business

The SEAT PAGINE GIALLE Group operates in *Italy and the United Kingdom* on the local advertising market for SMEs, where it maintains its presence with its own multi-platform publishing and advertising sales activities, basically related to telephone directories and information services.

Its operations also cover the Directory Assistance market in *Germany, Spain, France and Italy* and the Business Information and promotional gadgets market in *Italy*.

We in any case point out that, for exhaustive analysis of the business, the Group's overall structure, market scenario, and social responsibility, reference should necessarily be made to the Company's Financial Statements for the year ended December 31, 2007, which is also available on the Company's Web site at the address [www.seat.it](http://www.seat.it).

#### Information on ownership structures (pursuant to Article 123-bis of the TUF) as at December 31, 2007

Pursuant to Article 123-bis of the TUF, below is some detailed information concerning the ownership structures.

#### a) Share capital structure

Share capital Euro 250,351,664.46		Class of shares	No. of shares	Par value (€)	% compared to the share capital	Listing markets	Rights and obligations
Ordinary share capital	246,269,420.88	Ordinary shares	8,208,980,696	0.03	98.37	Electronic Stock Market organized and managed by Borsa Italiana S.p.A. - Blue Chip segment	As per the law and the articles of association (see articles 8 and 11 attached hereto)
Retained earnings	4,082,243.58	Savings shares	136,074,786	0.03	1.63		As per the law and the articles of association (see article 6 attached hereto)

With regard to the stock option plans issued by the Company, reference is made to the "Report on Operations" (paragraph "Stock Option Plans") contained in the previous annual and interim accounts of the Company and in the Draft of the Annual Report as at December 31, 2007, that are available on the Company's website and, in particular, to the "Information Document - Compensation plans based on

financial instruments” drawn up by the Company in compliance with Articles 114-*bis* of the TUF and 84-*bis* of the Issuers’ Regulations of Consob and to the contents of Annex 3A, table 7 of the abovementioned Issuers’ Regulations (available on the website at the following address: [http://www.seat.it/seat/it/governance/piani\\_stock\\_option\\_e\\_documento\\_informativo/documento\\_informativo/index.html](http://www.seat.it/seat/it/governance/piani_stock_option_e_documento_informativo/documento_informativo/index.html)) concerning the analysis of the stock option plans resolved by the competent bodies of SEAT on September 1, 2007.

#### b) Restrictions on stock transfer

Reference is made to what is reported in paragraph c) below.

#### c) Major interests in the share capital

Below are provided the major interests in the Company’s share capital, whether direct or indirect, as resulting from the notices given pursuant to Article 120 of the TUF.

Declarant	Direct shareholder	No. of ordinary shares	Overall % share of the ordinary share capital
CIE Management II Limited	P.G. Subsilver S.A.	1,555,920,894 <sup>(1)</sup>	19.29
		27,458,568 <sup>(2)</sup>	
		1,583,379,462	
CVC Silver Nominee Limited	Sterling Sub Holdings S.A.	1,196,849,420 <sup>(1)</sup>	14.84
		21,121,748 <sup>(3)</sup>	
		1,217,971,168	
Cart Lux Sarl	Subcart S.A.	703,586,244 <sup>(1)</sup>	8.72
		12,416,744 <sup>(3)</sup>	
		716,002,988	
Tarc Lux Sarl	Subtarc S.A.	373,595,387 <sup>(1)</sup>	4.63
		6,593,134 <sup>(3)</sup>	
		380,188,521	
Alfieri Associated Investors Servicios De Consultoria S.A.	AI Subsilver S.A.	239,369,605 <sup>(1)</sup>	2.97
		4,224,345 <sup>(3)</sup>	
		243,593,950	
UBI PRAMERICA SGR S.p.A.	UBI PRAMERICA SGR S.p.A.	197,468,906	2.41
BOUSSARD & GAVAUDAN ASSET MANAGEMENT LP	BOUSSARD & GAVAUDAN ASSET MANAGEMENT LP	416,289,943 <sup>(4)</sup>	5.07

- (1) Shares subject to a first-degree pledge in favour of The Royal Bank of Scotland Plc Milan Branch, The Royal Bank of Scotland PLC, Lehman Brothers Special Financing Inc., Citibank N.A. London Branch, BNP Paribas S.A. and to a second-degree pledge in favour of The Royal Bank of Scotland Plc Milan Branch and of Citivic Nominees Limited - London, the latter being created on April 22, 2004. Voting rights pertain to the respective owners of the interests.
- (2) Shares deriving from subsequent acquisitions on the market that were completed in October 2007, free of any pledge.
- (3) Shares deriving from subsequent acquisitions on the market that were completed in October 2007 subject to a pledge in favour of Société Européenne de Banque S.A. on January 31, 2008. Voting rights pertain to the respective owners of the interests.

- (4) On January 31, 2008, Boussard reduced its interest in the ordinary share capital of Seat from 5.07% to 4.63%, equal to no. 380,320,940 ordinary shares.

**d) Shares conferring special rights**

The Company has not issued shares that confer special rights of control.

**e) Employee share ownership: mechanism for the exercise of voting rights**

There are no employee share ownership systems.

**f) Restrictions on voting rights**

Pursuant to article 8 of the Articles of Association - Right to participate -, shareholders with the right to vote, for whom the Company has received notification from the intermediary, under Article 2370, paragraph 2, of the Italian Civil Code, within the two days preceding the date of each shareholders' meeting, can attend shareholders' meetings. Every shareholder who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy pursuant to law. The proxy may be issued to an individual or legal entity.

**g) Agreements that are known to the Company pursuant to Article 122 of the TUF**

As regards shareholders' agreements concerning the Company (and known to it), we note the existence of the following agreements:

- (a) shareholders' agreement dated July 30, 2003, as amended by the addendum dated March 24, 2004 and by the amendment dated December 21, 2006 and a further addendum dated September 13, 2007, between the closed investment funds indirect by holding a stake in SEAT PAGINE GIALLE S.p.A. (the "Funds"), each via their own Luxembourgian legal vehicles. This Shareholders' agreement makes provisions concerning, *inter alia*, (i) membership of and the resolutions passed by the Board of Directors of SEAT PAGINE GIALLE S.p.A. and its subsidiaries, as well as the resolutions passed by the SEAT PAGINE GIALLE S.p.A.'s Shareholders' Meeting; (ii) establishment of a constraint of non-transferability on SEAT PAGINE GIALLE S.p.A.'s shares owned by the Funds via their own respective vehicles, as well as on the equity interests owned by the Funds in the vehicles themselves.

On March 20, 2007, it was agreed to renew the shareholders' agreement dated July 30, 2003, under the same terms and conditions. Therefore, the agreement will expire on the first date of the following ones: (i) the third anniversary of the date of March 20, 2007 (or the fifth one, if the Company's ordinary shares are no longer listed on the third anniversary); or (ii) the date when the parties to the agreement have fully transferred their investment, whether direct or indirect, in the Company.

- (b) shareholders' agreement dated March 18, 2005, between some tier-one vehicles held by the Funds and Mr. Luca Majocchi concerning his appointment as managing director of the Company.

All the aforesaid agreements have been properly notified as required by article 122 of Legislative Decree No. 58/1998 and related implementation directives, also via publication of extracts, respectively (i) in the "La Repubblica" newspaper on August 9, 2003, as regards the shareholders' agreement dated July 30, 2003, (ii) in the "La Repubblica" newspaper on March 30, 2004, as regards the addendum dated March 24, 2004; (iii) in the "La Repubblica" newspaper on December 28, 2006, as regards the amendment dated December 21, 2006; (iv) in the "La Repubblica" newspaper on March 23, 2007, as regards the renewal of the shareholders' agreement dated March 20, 2007; (v) in the "La Repubblica" newspaper on October 26, 2007, as regards the addendum dated September 13, 2007; (vi) in the "Il

Sole 24 Ore“ newspaper on March 25, 2005, as regards the agreement concerning the appointment of Mr. Luca Majocchi as managing director of the Company. Furthermore, a further extract was published in the “Il Sole 24 Ore“ newspaper on December 17, 2004, to advise of completion of some corporate reorganization operations undertaken to enforce the abovementioned addendum of March 24, 2004.

The shareholders’ agreement dated July 30, 2003, was filed with the Milan Companies’ Register on August 13, 2003. The addendum of March 24, 2004 was filed with the Milan Companies’ Register on April 1, 2004. The amendment of December 21, 2006, was filed with the Milan Companies’ Register on December 22, 2006. The renewal of the shareholders’ agreement dated March 20, 2007, was filed with the Milan Companies’ Register on March 21, 2007. The addendum of September 13, 2007, was filed with the Milan Companies’ Register on September 19, 2007. The agreement concerning the appointment of Mr. Luca Majocchi as managing director of the Company was filed with the Milan Companies’ Register on March 22, 2005.

#### **h) Information on the appointment and replacement of directors and amendments to the articles of association where different from that applicable on a supplementary basis**

As indicated in the Background, the Extraordinary Shareholders’ Meeting of SEAT held on April 19, 2007, resolved, *inter alia*, to amend article 14 of the articles of association in the light of the provisions under Article 147-ter of the TUF, as introduced by the Savings Act. In particular:

- restrictions were imposed which aim to allow that at least one director elected by the minority interests must be appointed from a list that is in no way connected with the list which is ranked first in the number of votes
- procedures were explained for the determination of the minimum necessary stake in the share capital to present lists for the election of directors
- in accordance with Article 147-ter, IV C, of the TUF, rules were prescribed which aim to allow the Board of Directors to be comprised of an adequate number of members who meet the independence requirements laid down for statutory auditors in Article 148, III C, of the TUF
- amendments were also made in relation to the procedures for the submission of lists, in accordance with the Code, bringing the deadline for filing the lists from 10 to 15 days before the meeting and eliminating, for simplification purposes, the burden to prove the investment share useful to submit lists in the two days before the meeting.

Having said this, pursuant to article 14 of the articles of association (attached hereto), it is then reported that the Board of Directors is appointed on the basis of the lists that must contain and expressly indicate at least two candidates who meet the independence requirements required by Article 147-ter, IV C, of Legislative Decree no. 58/1998. The lists submitted by the shareholders shall be deposited at the registered office of the Company and published in at least one nationally circulated daily newspaper at the expense of the proposing shareholders at least fifteen days prior to the date scheduled for the meeting on first call (pursuant to Article 6C1 of the Code). Only those shareholders who, alone or together with other shareholders, own voting shares representing at least 2% of the voting capital in the ordinary shareholders’ meeting, or representing the lower percentage determined by CONSOB pursuant to Article 147-ter, I C, of Legislative Decree no. 58/1998, are entitled to submit lists. Together with each list, within the term indicated above, professional resumes and statements are to be submitted in which each candidate accepts the nomination and attests, under his/her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the by-laws prescribed for the position, and mentions the possibility of being qualified as independent pursuant to Article 147-ter, IV C, of Legislative Decree

no. 58/1998. Any list which fails to observe the foregoing requirements shall be considered as not having been submitted.

As regards the procedures to appoint the Board, reference is made to the abovementioned article 14 of the Articles of Association, specifying that:

(i) at least one director must be appointed from a list, if any, which is not connected, either directly or indirectly, with the shareholders who have presented or voted the list which has ranked first in the number of votes, and

(ii) at least one director appointed from the list which has obtained the majority of the votes at the shareholders' meeting, as well as at least one of the directors appointed from the list ranking second in the number of votes obtained, shall meet the independence requirements under Article 147-ter, IV C, of Legislative Decree no. 58/1998.

To appoint directors who for any reason have not been appointed according to the procedures described, the Shareholders' Meeting shall resolve with the majority provided by law, without prejudice to the obligation to comply with the minimum number of directors who meet the abovementioned independence requirements. If, during the financial year, one or more directors cease to hold office, Article 2386 of the Italian Civil Code shall apply.

Finally, note that, pursuant to article 19 of the articles of association, the Board of Directors is competent to adopt resolutions concerning the adaptation of the articles of association to regulatory provisions; all other cases are regulated by law.

#### **i) Delegation of powers to increase the share capital and authorisations to purchase treasury shares**

As reported in paragraphs 2 and ff. of article 5 of the Articles of Association - Share capital size (attached hereto), the Company's Board of Directors has resolved - in partial implementation of the powers (finally) delegated to it pursuant to Article 2443 of the Italian Civil Code by the Extraordinary Shareholders' Meeting by resolution of April 15, 2004 - the increase of the share capital against payment, on more than one occasion, for the implementation of the stock option plans in favour of (i) the Company's employees, or of the controlling company, if any, pursuant to Article 2359, paragraph 1, no. 1), of the Italian Civil Code, or of subsidiaries, excluding the right of option pursuant to the combined provisions under Article 2441, last paragraph, of the Italian Civil Code and Article 134, paragraph 2, of Legislative Decree no. 58 of February 24, 1998, and of (ii) managing directors who are not employed at the Company, or of subsidiaries, to be identified by the Board of Directors, excluding the right of option pursuant to the combined provisions under Article 2443, first paragraph, second part, of the Italian Civil Code and Article 2441, fifth paragraph, of the Italian Civil Code and, therefore, by the Board of Directors itself while exercising the delegated powers, on the assumption of the actual existence of the corporate interest and in compliance with the further conditions laid down in Article 2441, sixth paragraph, of the Italian Civil Code, insofar as it is applicable.

The shareholders' meeting of the Company never authorised the purchase of treasury shares pursuant to Articles 2357 and ff. of the Italian Civil Code.

#### **l) Clauses on change of control**

##### **Indenture**

On the basis of the Indenture (a document governed by US law), governing the regulation of the notes - bonds - issued by the Luxembourgian company Lighthouse S.A. for a total of Euro 1,300,000,000 on

April 22, 2004, and guaranteed by Seat, if (i) an entity other than the investment funds that, considered jointly, hold a 50.4% stake in the ordinary share capital of Seat at the date of approval of the 2007 Financial Statements, comes to hold, either directly or indirectly, more than 30% of the voting rights in Seat (and, at the same time, if the overall percentage of Seat equity held indirectly by the said funds falls below this percentage, and the said funds, considered jointly, do not have the possibility of appointing the majority of the members of the Board of Directors); or (ii) a sale takes place of all, or substantially all, the assets of Seat (except in the cases envisaged by the Indenture itself); or (iii) Lighthouse International Trust and Seat no longer jointly hold 99% of the share capital of Lighthouse S.A., in all these events, each noteholder will have the right (and not the obligation) to sell Lighthouse S.A. the securities it holds for cash at a price equal to 101% of the nominal value of the notes with regard to which the holder has exercised the put option. On the basis of the contractual instruments in force, in this event Seat would find itself having to provide Lighthouse S.A. with the funds to carry out these repurchases, if any.

#### **Term and Revolving Facilities Agreement**

Pursuant to paragraph 8.6.1 of the loan agreement named Term and Revolving Facilities Agreement, that has been executed, *inter alia*, by Seat, as the Borrower, and The Royal Bank of Scotland Plc, as the Lender, on May 25, 2005, for a total of Euro 2,620,100,000 (as amended), if there is a “Change of Control”, the Lender’s commitment to pay out new amounts pursuant to the abovementioned loan agreement will be immediately cancelled and (ii) the Borrower shall immediately repay all the loans granted to it and all letters of credit issued in its interest pursuant to the same loan agreement, in advance.

Pursuant to this loan agreement, the “Change of Control” occurs if:

- (a) the current shareholders, whether direct or indirect, of each of the companies PG Silver S.A., Sterling Holdings S.A., Silcart S.A., Siltarc S.A. and A1 Silver S.A., cease to overall hold, whether directly or indirectly, at least 50% of the ordinary voting share capital of each of them, or
- (b) any of PG Subsilver S.A., Sterling Sub Holdings S.A., Subcart S.A., Subtarc S.A., A1 Subsilver S.A. ceases to fully be (except for a single share) owned, whether directly or indirectly, by PG Silver S.A., Sterling Holdings S.A., Silcart S.A., Siltarc S.A. and A1 Silver S.A., respectively, or
- (c) the companies PG Subsilver S.A., Sterling Sub Holdings S.A., Subcart S.A., Subtarc S.A., A1 Subsilver S.A. hold an overall stake of less than 30% of the ordinary voting share capital of Seat, or
- (d) any fact or circumstance occurs which is defined as “Change of Control” pursuant to the document named Indenture.

#### **m) Directors’ allowances in the event of resignation, dismissal or termination of the relationship as a result of a take-over bid**

The Company has not entered into any agreements with directors providing for allowances in the event of resignation or dismissal with no just cause or if the employment relationship is terminated as a result of a take-over bid.

Note that the Articles of Association are available on the Company’s website at the address:

<http://www.seat.it/seat/en/governance/statuto/index.html>

### **Management and Coordination Activity**

SEAT Pagine Gialle S.p.A. is not subject to management and coordination activities by Companies or entities. Pursuant to Article 2497-*bis* of the Italian Civil Code, the subsidiaries have identified SEAT Pagine Gialle S.p.A. as the person that performs management and coordination activities. Such activity consists in indicating the general strategic and operating guidelines of the Group and takes concrete form in the definition and updating of the corporate governance and internal audit model, and in the formulation of the general policies for the management of human and financial resources, the procurement of production, training and communication factors.

## **SECTION II: Information on implementation of the Self-Governance Code's requirements**

### **Corporate organization**

The organisational structure of SEAT is articulated according to the traditional system and is comprised of:

- the **Shareholders' Meeting**
- the **Board of Directors**
- the **Board of Statutory Auditors**

Auditing activities are carried out by the **Independent Auditors**.

### **The role of the Board of Directors (Article 1 of the Code)**

The Board of Directors is assigned a central role in the Company's Corporate Governance system. It meets regularly (usually on a monthly basis), organising itself and operating in such a way as to assure real and effective performance of its functions.

It is specified that the Board of Directors is vested with the widest powers for ordinary and extraordinary management of the Company, and therefore has the power to perform all actions that it deems appropriate for accomplishment and achievement of the corporate purposes, both in Italy and abroad, the only exception being those measures that by law are reserved as being the prerogative of Shareholders' Meetings (see article 19 of the Articles of Association).

Again, under Article 19 of Articles of Association, the Board is also authorised to pass resolutions concerning:

- mergers, in the cases envisaged by Articles 2505 and 2505-*bis* of the Italian Civil Code, and demergers in the cases when such rules are applicable;
- the opening and closure of secondary registered offices;
- indication of which directors have powers of corporate representation;
- reduction of registered share capital in the case of withdrawal by shareholders;
- adaptation of the articles of association to regulatory requirements;
- transfer of the company's registered headquarters within national [Italian] territory.

The Board, whilst complying with legally established limits, can, for the execution of its resolutions and for business management:

- create an Executive Committee, determining its powers and the number of its members;
- delegate appropriate powers, determining the limits of powers delegated, to one or more directors, possibly classified and titled as Managing Directors;
- appoint one or more General Managers and business attorneys, determining their attributions and powers.

The Board of Directors is also empowered to set up Committees, in compliance with the recommendations of the Code.

We specify that powers attributed to the Chairman (corporate representation) and to the Managing Director (as indicated later on) are exercised in compliance with applicable legal constraints - as regards matters that cannot be delegated by the Board of Directors - as well as with the principles and limitations (and specifically those responsibilities assigned exclusively to the Board of Directors) set out in the Code. Given this, the Board of Directors retains exclusive competence, as per the provisions of the articles of association, for all matters not expressly delegated to executive directors.

With specific regard to the recommendations under Article 1 of the Code, note that the Board has the prime responsibility to determine and pursue the Company and the Group's strategic goals. On the other hand, note that SEAT - as indicated above - is not subject to management and coordination activities, while - pursuant to Article 2497-*bis* of the Italian Civil Code - the subsidiaries have identified SEAT as the person that performs management and coordination activities.

By way of example but by no means complete, and making explicit reference to the application criteria under Article 1 of the Self-Governance Code, the Board of Directors' exclusive competence also includes the following functions:

- review and approval of the company's and the group's strategic, business and financial plans, the corporate governance structure and the structure of the group itself, as well as the assessment of the adequacy of the general organisational, administrative and accounting structure

In this regard, we specify that, as regards criterion 1C1, letter b), of the Code - which requires a formal assessment of the organisational, administrative and accounting structure of the company and of "subsidiaries of strategic importance", the Board of Directors established that, according to a "size-based" business criterion, no subsidiaries were found having a strategic importance such as to entail an assessment by the Company's Board of Directors of the structure required by the criterion referred to hereinabove. In fact, in "quantitative" terms, the subsidiaries are not of such a "significant" size that they require special administrative and accounting procedures to be implemented for the purposes of preparing annual and consolidated accounts (pursuant to the Article 154-*bis* of the TUF) in addition to those already existing within each company. In any case, the Internal Audit function normally performs activities whose purpose is to verify, if requested to do so, whether the Internal Audits carried out in the subsidiaries are satisfactory, on the basis of instructions given by the Internal Audit Committee and the supervision boards in the subsidiaries themselves.

Having said this, a size threshold has been introduced as a criterion whereby a subsidiary can be described as having "a strategic importance" (in the meaning assigned to the adjective "strategic" for the purposes of criterion 1C1 of the Code), the threshold consists of a consolidated EBITDA contribution of not less than 10%, while the Board still has the possibility of also attributing strategic importance to subsidiaries whose contribution to EBITDA is lower, by reason of the type of business they conduct.

In relation to the above, the Board of Directors has acknowledged the Internal Audit Committee's favourable opinion regarding the adequacy of the organisational, administrative and accounting system and resolved - without this affecting the periodic appraisals that have already been carried out pursuant to Article 2381, paragraph 3, of the Italian Civil Code - to confirm, purely in order to comply with the formal recommendation of the Code, the adequacy of both the Company's corporate governance system and the group structure, and the Company's organisational, administrative and accounting structure; such assessment has also been updated at the end of the completion of the activities implemented by the Company as a result of the so-called "Savings Act".

- attribution to and revocation of powers from the Managing Director and Executive Committee (if created). Note that the Managing Director has been granted - without prejudice to the legal

restrictions and the responsibilities reserved for the Board by the Articles of Association - wide powers for the management of the Company (referred to in below, “Board membership” - article 2 of the Code”)

- determination of the compensation of managing directors and of directors holding particular offices, on the proposal of the Compensation Committee, after consultation with the Board of Statutory Auditors, as well as, if the shareholders’ meeting has not already taken steps in this regard, the distribution of the overall emoluments to which the Board members are entitled (as regards the breakdown of the emoluments received by each director, reference is necessarily made to the special table contained in the financial statements at December 31, 2007)
- examination and preliminary approval of the main transactions implemented by the Company and its subsidiaries, with particular regard to situations where the directors hold an interest on their own account or a third-party interest and to the transactions with related parties. For this purpose, we specify that Article 16 of the Articles of Association establishes that Board of Directors and Board of Statutory Auditors must be informed, also by delegated bodies, of the activity performed, general business performance, and expected business progress, and of the most important transactions in business, financial and capital terms undertaken by the Company or by its subsidiaries. In particular, directors must report on transactions in which they have an interest on their own account or that of third parties, or that are influenced by the party, if any, exercising the activity of management and co-ordination. Note that disclosure obligations under the abovementioned Article 16 of the Articles of Association and Article 150, paragraph 1, of the TUF are fulfilled by means of a procedure whose purpose is to ensure transparency, not only as regards transactions with related parties in which an interest is held, either on its own account or on behalf of third parties, or which are influenced by the person that performs the activity of management and coordination (including inter-group transactions), but also as regards all transactions that have been conducted, the most important transactions in business, financial and capital terms undertaken by the Company and atypical or unusual transactions.

The Procedure also contains a document governing the “Standards of conduct for extraordinary transactions with related parties” (see below, Article 9 of the Code).

Finally, we specify that the Company has adopted an internal procedure that provides a constant flow of information from subsidiaries to SEAT itself, regarding the main corporate events

- annual assessment of size, composition and functioning of the board itself and its committees. In this regard (as regards the application criterion 1C1, letter g, of the Code), we specify that the Board fulfilled this accomplishment based on “self-appraisal” questionnaires transmitted and complied by the Board members and subsequently prepared by the Chairman, together with an Independent Director (as well as a member of the Internal Audit Committee) and the Secretary to the Board of Directors. The Board of Directors resolved that the size, composition and functioning of the Board and of its Committees are satisfactory, and that it does not consider that any additions to the Board are necessary given the existing qualifications of the present members of the governing body.

We specify that, based on Article 14 of our Articles of Association, the Company is managed by a Board of Directors composed of a minimum of 7 (seven) and a maximum of 21 (twenty-one) Directors.

The Ordinary Shareholders’ Meeting of April 27, 2006, appointed the Board of Directors for the three-year period of 2006, 2007 and 2008, fixing the number of members at thirteen (13) and confirming the appointment of all members of the previous Board.

List submitted on the occasion of the appointment of the current Board of Directors (Shareholders' Meeting of April 27, 2006, or the date before the introduction of article 144-octies in the Issuers' Regulations in relation to the publicity of the proposed appointments)

Pursuant to Article 144-*decies* of the Issuers' Regulations of Consob, note that, on the occasion of the appointment by the Shareholders' Meeting of the current Board of Directors, the Company promptly took steps to publish the only list submitted (by the shareholder P.G. Subsilver S.A.), accompanied by the professional resumes of the candidates, on its website.

[see the Company's website at the address:

[http://www.seat.it/seat/it/governance/assemblee/2006/04\\_27\\_assemblea.html](http://www.seat.it/seat/it/governance/assemblee/2006/04_27_assemblea.html) ].

At that time, the shareholder Subsilver held 19.09% of the voting ordinary shares in the Shareholders' Meeting. Finally, note that the list was also accompanied by declarations from Messrs Lino Benassi, Gian Maria Gros Pietro and Marco Reboa to the effect that they meet the independence requirements contemplated in the Self-Governance Code.

The Shareholders' Meeting of April 19, 2007, appointed Messrs. Antonio Belloni and Carmine Di Palo (already co-opted by the Board of Directors during 2006 following the resignation by Messrs. Stefano Mazzotti and Stefano Quadrio Curzio) as Directors.

Below is reported the composition of the Board accompanied by the information on personal and professional characteristics of the Directors pursuant to Article 144-*decies* of the Issuers' Regulations of Consob:

**- Enrico Giliberti (Chairman)**

Born in 1945. After a stage period in New York at Cahill, Gordon & Ohl firm, he collaborated with the international Ughi e Nunziante law firm and was a member of Erede, Bianchi e Giliberti firm, as well as the founder of Colesanti e Giliberti Nobili firm and co-founder of Biscozzi Giliberti Nobili firm. Currently he is a senior partner of Giliberti, Pappalettera, Triscornia e Associati firm. He is specialised in company law, securities markets and mergers and acquisitions. He is a member of commercial arbitration panels in Italy and abroad. Law degree at Naples University and Master of Comparative Jurisprudence at New York University, USA, in 1969.

**- Luca Majocchi (Managing Director)**

Born in 1959. In 1996 he joined Unicredito Italiano where his last position is that of Managing Director of Unicredit Banca and head of the Retail Division of Unicredito Italiano. From 1987 to 1991 he worked in Pirelli, while from 1991 to 1996 he acted as associate until he filled the position of Senior Engagement Manager at McKinsey & Company. Physics degree at Milan University, Master in Industrial Engineering (*Ingegneria Gestionale*) at Polytechnic Institute in Milan and Mini - MBA in Finance and Economics (McKinsey and Co.).

**- Antonio Belloni (Director)**

Born in 1950. He has had positions as the Managing Director of various companies during his career, including, finally, Camfin S.p.A. and De Agostini S.p.A..

While working with De Agostini S.p.A., he dealt with the management of various group companies and with diversification by means of a number of acquisitions, including Lottomatica S.p.A. and Toro Assicurazioni S.p.A., of which he was Chairman.

He has also been a Director in various companies, including Capitalia S.p.A.. Degree in Economics and Commerce at Genoa University. Currently he is the Managing Director and Vice-Chairman of BC Partners S.r.l..

**- Lino Benassi (Independent Director)**

Born in 1943. From 1963 to 1994 he worked with Banca Commerciale Italiana in various managerial capacities until he was Managing Director from 2000 to 2001; from 1995 to 2000 he was General Manager and Managing Director of INA S.p.A., while from 2000 to 2002 he also was Managing Director of Banca IntesaBci. In 2003 he was awarded the honour of *Grande Ufficiale al Merito* of the Republic of Italy. He is Chairman of Banca Italease. His main positions have been Chairman of Caboto Sim, Chairman and General Manager of Banque Sudameris (Paris), Vice-Chairman of Banco di Napoli Holding, Director of Banco di Napoli (Executive Committee Member), Director of BNL (Executive Committee Member), Vice-Chairman of ABI, Vice-Chairman of Compagnie Monegasque de Banque, Chairman of Toro Assicurazioni S.p.A..

**- Dario Cossutta (Director)**

Born in 1951. From 1980 to 1999 he worked with Banca Commerciale Italiana in the positions of Head Industrial Economist (*Capo Economista Industriale*), M&A and Primary Market Manager and Merchant Bank Division Manager. In 1999 he became Managing Director of Sviluppo Italia. He has been Managing Director of Investitori Associati since 2001.

Statistics degree at Rome University and Doctorate in Economics at Cambridge University.

**- Carmine Di Palo (Director)**

Born in 1971. For two years from 1997 he was an advisor to Bain & Co.. Chemical Engineering degree at Polytechnic Institute in Milan and MBA at the MIT Sloan School of Management in Cambridge, Massachusetts.

**- Gian Maria Gros Pietro (Independent Director)**

Born in 1942. From 1965 to 2004 he taught Economics at Turin University; since 2004 he has been at the head of the Department of Economic and Business Sciences at Luiss-Guido Carli University in Rome. He was Chairman of Iri from June 1997 to November 1999 and Chairman of Eni from December 1999 to May 2002. Currently he is Chairman of Atlantia S.p.A. and Autostrade per l'Italia S.p.A. (Atlantia group); he also has important positions in several major listed companies.

**- Luigi Lanari (Director)**

Born in 1958. He worked for Banca Nazionale del Lavoro, New York, from 1984 to 1986 and with Citicorp Finanziaria (Citifin), Milan, in 1987. From 1988 to 1993 he worked for Citibank London and Milan offices. Currently he is a Partner in the CVC Capital Partners Group, for which he has been working since 1993, as well as Managing Director of the Milan branch. Degree in Economics and Commerce at Rome University, Commercial Lending Certificate at New York University and a Master in Science of Management at the MIT Sloan School of Management in Cambridge, MA.

**- Marco Lucchini (Director)**

Born in 1968, he is an Investment Manager with Permira, for whose Milan office he has been working since 2003. He started working for PricewaterhouseCoopers in the Transaction Services Division in Milan, Hamburg and Detroit in 1994. From 2000 to 2003 he worked for the AT Kearney management consulting company in Milan.

Business Economics degree at Bocconi University in Milan.

**- Michele Marini (Director)**

Born in 1963. He has been a Partner of Investitori Associati since 2000. From 1991 to 2000 he worked for Banca Commerciale Italiana acting in various sectors: in particular he was Deputy Manager of the Merchant Bank Division from 1996 to 2000. He has been a member of the BoD of several companies. Degree in Economic and Social Sciences at Bocconi University in Milan.

**- Pietro Masera (Director)**

Born in Milan in 1968. From 1994 to 1998 he worked with UBS in Zurich, Paris and London. From 1998 to 2001 he worked with Deutsche Bank, London. Degree in Economics and Commerce at Bergamo University.

**- Marco Reboa (Independent Director)**

Born in 1955. After experience with a leading London merchant bank he began to work for the Institute of Business Economics of Luigi Bocconi University. He is now a full professor at Carlo Cattaneo University in Castellanza.

He has published volumes and articles concerning accounts, economic assessments and Corporate Governance. He also performs business consulting activities and holds important positions in several major listed companies. He is enrolled in the Register of Public Accountants (*Albo dei Dottori Commercialisti*), he is also an Auditor and the Director of the Public Accountants magazine (*Rivista dei Dottori Commercialisti*).

**- Nicola Volpi (Director)**

Born in 1961. He started working for Sefimeta - Montedison Group in Milan, New financial product development division, in 1987. From 1988 to 1995 he worked with San Paolo Finance, the Merchant bank of the San Paolo Group, where he was Deputy Manager in the Corporate Finance and Equity Investments area.

Degree in Economics and Commerce at Bocconi University in Milan.

As regards application criterion 1C3 of the Code, pursuant to which the Board expresses its view of the maximum number of positions as a director or as an auditor (n.b.: in listed companies on regulated markets, including foreign markets, as well as in financial, banking, insurance companies or companies of major size, as specified under criterion 1C2 of the Code) that may be considered compatible with the effective performance of the duties of a Company director, the Board of Directors laid down general criteria that differed according to the commitment expected of each position (executive, non-executive or independent director), also in the light of the nature and the size of the companies in which such positions are held, as well as of whether they belong to the issuer's group.

Specifically, the Board (i) defined as companies of a major size, apart from listed companies, those with a turnover of more than Euro 500 million; (ii) established the following limits to the numbers of positions, specifying that positions held in more than one company belonging to the same group (including the SEAT Group) are to be considered as one position, the one prevailing that entails the greatest degree of professional commitment:

- Maximum number of positions as non-executive director for a SEAT Executive Director in the companies indicated above: no more than 3
- Maximum number of positions as non-executive director for an Executive Director in the companies indicated above and non-executive or independent director in SEAT: no more than 5

- Maximum number of positions for a Non-executive director or as auditor in the companies indicated above and non-executive or independent director in SEAT: no more than 8.

Having stated this, as regards office held by our directors as statutory auditors or directors of companies indicated in Article 1C2 of the Code, we highlight - based on the information received - the following:

Enrico Giliberti	Director of Sirti S.p.A., Independent director of Telco S.p.A. and Olimpia S.p.A.
Luca Majocchi	Director of Eniro AB
Antonio Belloni	Managing Director and Vice-Chairman of BC Partners S.r.l.
Lino Benassi	Chairman of Banca Italease; Director of DeAgostini S.p.A.; Credit Suisse Italy; DeA Capital SpA; Zignago Vetri SpA
Dario Cossutta	No office held in the companies under Article 1C2
Carmine Di Palo	No office held in the companies under Article 1C2
Gian Maria Gros Pietro	Chairman of Atlantia S.p.A.; Chairman of Autostrade per l'Italia S.p.A. (Atlantia group); Director of Fiat S.p.A., Edison S.p.A.; Chairman of Perseo S.p.A.
Luigi Lanari	Director of Lecta S.A., Sub Lecta 1 S.A.; Sub Lecta 2 S.A. and Managing Director of CVC Capital Partners S.r.l.
Marco Lucchini	No office held in the companies under Article 1C2
Michele Marini	No office held in the companies under Article 1C2
Pietro Masera	No office held in the companies under Article 1C2
Marco Reboa	Director of ENI S.p.A., Interpump S.p.A., IMMSI S.p.A., Chairman of the Board of Directors of Intesa Investimenti, Chairman of the Board of Statutory Auditors of Luxottica Group, Statutory Auditor of Lactalis Italia S.p.A. Group
Nicola Volpi	Managing Director of Permira S.p.A.; Director of Sisal S.p.A. and Sisal Holding Finanziaria S.p.A

As regards minimum frequency of Board **meetings**, article 16 of our Articles of Association envisages that Board meetings be held - normally - at least once a quarter and in any case whenever deemed appropriate, or when at least two Directors or one acting Auditor request the Chairman in writing to summon a meeting, also indicating the meeting agenda. Note that, in accordance with the provision under Article 151, II C, of the TUF, as renewed by the Savings Act, the Extraordinary Shareholders' Meeting of April 19, 2007, resolved to formally approve, under article 16 of the Articles of Association, the power of each member of the Board of Statutory Auditors to individually call the Board of Directors' meeting upon prior request to the Chairman of the Board itself.

We note that the Board of Directors met 14 times in 2007. Directors' attendance percentage was approximately 77% (the table attached to this report specifies the attendance percentage referred to each Director).

The Chairman of the Board of Directors sees that the information and documents necessary for the Board to take the decisions for which it is responsible are provided for its members - where possible - in a satisfactory manner and in good time. At the request of the Managing Director, the Company's

management may attend board meetings to supply any detailed information on the issue on the agenda that may be appropriate.

In compliance with the current regulations, the Company has advised the market of its 2008 corporate events calendar (available at the Company's Web site at the address: [http://www.seat.it/seat/en/investor/calendario\\_finanziario/index.html](http://www.seat.it/seat/en/investor/calendario_finanziario/index.html) ) indicating the dates concerning Board and Annual General Meeting of Shareholders approval of periodical accounts.

With regard to the exceptions to the non-competition obligation (as regards the critterion 1.C.4 of the Code), note that - without prejudice to the resolutions passed by the Shareholders' Meeting of the Company held on April 27, 2006 (which appointed the current Board of Directors, with the exemption from the obligations under Article 2390, paragraph 1, of the Italian Civil Code<sup>2</sup> in the event that the cases under the same article should occur), all the Directors have declared to the Board that they do not perform any activities that compete with those of the Company, also undertaking to notify any significant change if this event should occur.

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### **Composition of the Board of Directors (Article 2 of the Code)**

The Company has appointed two different directors, the Chairman and the Managing Director, to hold corporate positions. Pursuant to the application criterion 2C1, **only the Managing Director - Mr. Luca Majocchi - should be considered to be executive**. The other directors, which are therefore non-executive directors, in terms of number, authority and authoritativeness, are therefore such as to assure that their opinion carries significant weight in Board decision-making; specifically, they particularly supervise areas where conflicts of interest may arise.

We also specify that it is not necessary to appoint a lead independent director because the Chairman is not the main person responsible for business management, nor is the position of Chairman held by a person that controls the Company.

As regards the application criterion 2C2 of the Code, pursuant to which the directors are required to be aware of the duties and responsibilities inherent to the position, we specify that the "Code of Conduct" of SEAT (as approved by the Company while adopting regulation on market abuse, referred to below), as well as the "Internal Procedure for Board of Directors' Meetings" allow directors to act knowledgeably and to be acquainted with the responsibilities and duties involved in their positions.

In order to enhance knowledge of the corporate activities and dynamics, it should be noted that the Chairman sees that Board of Directors' Meetings (i) normally envisage the attendance of the Company's CFO (who is also the Manager responsible for preparing the Company's financial reports pursuant to Article 154-*bis* of the TUF, referred to in below), also in order to supply the necessary information support to directors requiring clarification about corporate procedures; (ii) envisage the attendance of the corporate officers directly concerned when matters of specific corporate interest are to be considered, in order to ensure that the questions for which the directors are responsible can be properly dealt with; (iii) are normally held at the Company offices, also in order to allow meetings to be arranged with the company's management after the Board Meeting itself, so that corporate issues may be examined at greater depth.

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<sup>2</sup> **Article 2390 - Non-competition obligation**

Directors may not be unlimited partners in competing companies, nor may they conduct a competing business on their own or on behalf of third parties, nor may they be directors or general managers in competing companies, unless authorized by the shareholders' meeting.

For a more complete disclosure, below are listed the attributions of the Chairman and of the Managing Director, as well as information about the power delegation system.

The **Chairman**, Enrico Giliberti, is vested with powers of corporate signature and legal representation of the Company vis-à-vis third parties and courts of law. The Chairman - who has not been vested with operating powers - is responsible for organising the board proceedings and for acting as a connection between the executive director and non-executive directors.

The **Managing Director**, Luca Majocchi, oversees the Company's technical and administrative performance and ensures that Board of Directors' resolutions are executed; Mr. Majocchi is vested with powers of corporate signature and legal representation of the Company vis-à-vis third parties and courts of law. Furthermore, in compliance with the applicable restrictions laid down by law and in the articles of association, in terms of matters that the Board of Directors is not allowed to delegate -, he is also vested with specific powers and responsibilities for operational management of corporate business, within a general limit of an amount up to Euro 10 million. For some types of deeds, specific limits are envisaged.

The Managing Director has also been appointed as executive director responsible for supervising the functionality of the internal audit system (referred to below), as well as the official internal auditor of the Company' secondary office.

As regards the system for delegation of powers within the corporate environment, we note that the Company has devised a system of powers that - except in special cases, when powers are governed on a case-by-case basis - is structured as follows:

- (i) powers, exercise of which involves a spending commitment for the Company and that can be exercised solely via joint signature of two managers - for matters forming part of their respective spheres of organisational responsibility - thereby ensuring a form of control constraining exercise of the powers delegated. Another constraint consists of an imperative and general limit of expenditure imposed on exercise of the powers in question;
- (ii) powers of corporate representation, to be exercised - once again within their respective spheres of organisational responsibility - by two managers with joint signature or, in limited and routine cases, with individual signature.

The types of powers illustrated above substantially reflect those attributed by the Board of Directors to the Managing Director.

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### **Independent directors (Article 3 of the Code)**

During the meeting of February 27, 2007, the Board of Directors adopted a procedure to assess the independence of the directors, pursuant to which the Directors sign an appropriate declaration form at least once a year (for submission to the Chairman of the Board of Directors and to the Chairman of the Board of Statutory Auditors), in which they certify that they meet the independence requirements under Article 3 of the Code, if they in fact do so, with specific regard to the valuation criteria under the application criterion 3C1 of the Code.

On the basis of the information received, the Board - during the meeting of March 18 2008 - considered whether the independence requirements as regards each of the non-executive directors were met and, accordingly, acknowledged and confirmed the independence of Directors Lino Benassi, Gian Maria Gros Pietro and Marco Reboa. Note that the abovementioned Directors also meet the independence requirements under Article 148, paragraph 3, of the TUF.

We also specify that, on the basis of the outcome of the Board's "self-appraisal" questionnaires (referred to above, reference to the application criterion 1C1, letter g), of the Code), the number and the qualifications of the independent directors were considered satisfactory, also for the purposes of setting up committees.

We specify that, in accordance with the application criterion 3C5 of the Code, the Board of Statutory Auditors verified the application of the criteria and of the above procedure, adopted by the Board of Directors to assess the independence of its members.

Finally, we specify that - as regards the application criterion 3C6 of the Code - the Independent Directors met once in the absence of the other directors during the 2007 financial year.

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#### **Treatment of corporate information (Article 4 of the Code)**

As to the internal dealing and the disclosure of inside information and making specific reference to the adoption by the Company of the regulations on market abuse<sup>3</sup>, the Company has adopted the following documents:

- the "Internal code of conduct for the handling of inside information", with the aim to summarize the "general" principles adopted by the Company on the handling of inside information, defining and identifying the "parties involved", the rules of conduct, disclosure obligations and sanctions. The Code, with the documents below attached thereto, represents the *corpus* of the Company, governing market abuse
- the "Procedure for the institution, updating and keeping of the Register of parties who have access to Inside Information", for the purpose of guaranteeing compliance with the obligations prescribed on the procedures for the institution, keeping and updating of the "Register" of persons who, because of their working or professional activity or functions held, have regular or occasional access to "inside information" (pursuant to Article 115-bis of the TUF). The Procedure (reflecting the policies put in place by the Company on handling of inside information referred to in the abovementioned "Code") identifies the Function responsible for the keeping and updating of the Register, the Register's content, the parties to register, notice and disclosure obligations, updating and keeping procedures. The Register was instituted as from April 1, 2006.
- "Internal Dealing Procedure", effective from April 1, 2006, which annuls and supersedes, as from the same effective date, the "Code of Conduct for Internal Dealing" previously adopted by the Company, in compliance with the Regulations of Borsa Italiana S.p.A. The Procedure lays down a disclosure obligation (for the Contact Person identified in the Procedure, who, in turn, gives notice to Consob and the market) of transactions amounting to or in excess of Euro 5,000, conducted on the securities of the Company and of its subsidiaries, by (i) the "relevant parties" and (ii) the "persons closely related to relevant parties". "Black-out periods" still apply, namely, fixed periods during which persons subject to the provisions of the Procedure are barred from conducting any transaction

Furthermore, the Board of Directors has updated the previously effective Procedure on the "market disclosure of price sensitive information", in order to (i) acknowledge the new definition of "inside information" under Article 181 of the TUF, (ii) envisage cases regarding "delayed disclosure" and (iii) establish rules of conduct on management of such information (thus, referring to the principles of the abovementioned "Code"). By means of this operating procedure (named "Procedure of Seat

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<sup>3</sup> The main aim of the new 2003/6/EC Directive on market abuse is to increase the level of transparency of financial markets, in particular, by laying down behavioural and organisational obligations for those who access relevant information.

Pagine Gialle S.p.A. for the management and market disclosure of inside information”), the Company endeavours to assure equality of treatment for the public in general - and for all shareholder categories in particular - whilst observing applicable regulations. The procedure identifies the functions and departments involved, also regulating the procedure to be followed in the eventuality or rumours or of requests for information by surveillance and market management bodies. The procedure also specifically governs the activities to be performed when the Company meets with the financial community and with the press.

Furthermore, we specify that - in accordance with the application criteria 4C1 of the Code - the Managing Director, Mr. Majocchi, is also responsible for managing inside information.

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### **Internal committees of the Board of Directors (Article 5 of the Code)**

In accordance with the principle 5P1 and the criterion 5C1 of the Code, the Board of Directors has established the following internal committees:

- the Compensation Committee and
- the Internal Audit Committee,

with propositive and consultive functions.

Both the Committees are composed of three members; duties are defined by resolution of the Board of Directors may be supplemented or changed by a subsequent resolution of the Board.

Committees are entitled to access corporate information and departments as necessary for the performance of their functions.

The Board of Directors has fixed an annual budget for the Committees for the performance of their duties; specifically, an annual budget of Euro 30,000 was fixed for the Compensation Committee and an annual budget of Euro 50,000 for the Internal Audit Committee, with the possibility of additional funding during the year (and without prejudice to the possibility for the Internal Audit Committee to make use of the budget made available by the Company’s Internal Audit Department, if sufficient provision has been made).

Persons that are not members of a Committee may attend meetings of each committee with reference to specific items on the agenda, at the request of the Committee concerned (note that minutes of meetings are recorded).

For precise information regarding the Compensation Committee and the Internal Audit Committee (institution, composition, duties, work actually done during the financial year, number of meetings and members’ attendance percentage), see comments to articles 7 and 8 below, respectively.

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### **Appointment of directors (Article 6 of the Code)**

We specify that the Company has not deemed it necessary to set up an appointments committee within the Board of Directors, in consideration of the fact that Directors are appointed on the basis of a voting mechanism based on competing lists to guarantee clear election procedures and a well-composed Board.

As to the procedures to appoint and replace Directors, reference is made to Section I above, the paragraph relating to ownership structures.

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## **Remuneration of directors (Article 7 of the Code)**

### **Compensation committee**

The Compensation Committee is composed of the Directors Gian Maria Gros Pietro (Chairman), Antonio Belloni and Dario Cossutta.

While the Board of Directors acknowledges that the present composition of the Committee (all non-executive Directors and an independent director acting as Chairman) does not enable the Company to comply with the recommendations under principle 7P3 of the Code (which envisages a Committee composed of non-executive directors, the majority of whom to be independent), it considers that the composition of the Committee (which, as already said above, is chaired by an independent director) reflects the fact that at the moment there is a substantial diversity in the Company between the relevant shareholders (identifiable funds) and top management. In a scenario of this kind, it is the practice for the relevant shareholders to exert direct influence on the determination of the fixed and variable fees due to the executive directors.

Having stated this, we specify that, in accordance with criterion 7C3 of the Code, the Compensation Committee was assigned by the Board of Directors the duty of:

- making recommendations to the Board of Directors concerning the managing director's compensation and that of other directors holding particular positions, also as regards determination of stock option plans, monitoring application of the decisions adopted by the board itself;
- periodically assessing the criteria adopted for the remuneration of executives with strategic responsibilities, supervising their application based on the information provided by managing directors and making general recommendations to the board of directors concerning this issue.

The Board also resolved to authorise the Compensation Committee to access corporate information and departments as necessary for the performance of its functions.

Unless expressly invited to provide supporting information, no director takes part in compensation committee meetings in which proposals regarding his/her emoluments are submitted to the board of directors (criterion 7C4 of the Code).

We note that during 2007 the Compensation Committee met three times during which (i) set the Managing Director's targets for FY2007, to which the variable component of his compensation is linked; (ii) reviewed the criteria to determine the Group management's compensation.

The percentage of attendance at the Committee's meetings has always been 100% for each member (see also the relevant table attached to this report).

Note that the information concerning stock option plans is contained in the Annual Report, in a specific paragraph in the Directors' Report on Operation.

### **Directors' compensation**

Directors have the right to receive - besides reimbursement of expenses occurred in performing their functions - annual compensation of an amount established by the Shareholders' Meeting. Such compensation also includes that of directors holding particular offices.

We specify that, pursuant to Article 2389, paragraph 3, of the Italian Civil Code, the Board of Directors then decides upon compensation for directors holding particular positions, after having received the Board of Statutory Auditors' favourable opinion.

Non-executive directors (whose compensation is proportioned to their commitment, also taking account of their participation in the Committees' meetings) are not the beneficiaries of share incentive schemes. The Chairman's compensation is fixed, whereas that of the Managing Director is to a large extent variable.

As far as compensation is concerned, the Shareholders' Meeting held on April 27, 2006, resolved, in particular, to set up, for social security purposes, a leaving indemnity for the Managing Director only, tasking the Board of Directors to set the relevant terms, conditions and procedures.

Finally, we specify that top management's compensation features a variable component dependent on results achieved in managers' respective sectors and on individual targets.

The compensation paid to Directors for FY2007 is indicated in the Annual Report.

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## **Internal Audit system (Article 8 of the Code)**

### **1) Internal audit committee**

The Directors Lino Benassi (Chairman), Marco Reboa and Marco Lucchini are members of the Internal Audit Committee. All members of the Committee are non-executive Directors (the most of which are independent directors, pursuant to Article 8P4 of the Code) and adequately experienced in accounting and financial issues (in accordance with Article 8.P.4 of the Code).

Meetings may be attended by the Chairman of the Board of Statutory Auditors or by another auditor charged by the latter, and the responsible of the Internal Audit Department, in addition to the members of the Internal Audit Committee. Furthermore, depending on the items on the agenda, meetings may also be attended by the Managing Director, as well as by the representatives of the Independent Auditors and the Company's management.

During the meeting of February 27, 2007, the Board of Directors resolved to charge the Internal Audit Committee with the performance of the duties laid down by Article 8.C.3 of the Code. The consequent amendments were then made to the Internal Audit Committee Regulations in order to bring them into line with the provisions of the "New" Self-Governance Code. Specifically, pursuant to the Regulations, the Committee:

1. assists the Board of Directors in defining the guidelines and periodically verifying the appropriate and effective functioning of the Internal Audit System, in order to guarantee identification, adequate measurement, management and monitoring of the main corporate risks;
2. considers the work plan prepared by the Official Internal Auditor and periodical reports received from the same;
3. assesses the remarks appearing in the reports by the Official Internal Auditor and in the notices made by the Board of Statutory Auditors, by the Supervisory Board's reports and by the examinations carried out by third parties;
4. expresses its opinion on the proposed appointments and revocations of the Official Internal Auditor, evaluates its organisational set-up and guarantees its actual independence, also in the light of Legislative Decree No. 231/2001 on corporate administrative liability;
5. evaluates, together with the Manager responsible for preparing the Company's financial reports and the auditors, the correct use of the accounting standards applied and their consistency for the purposes of the preparation of consolidated financial statements;

6. supervises the effectiveness of the auditing process and, in particular, examines, after consulting the Board of Statutory Auditors: (i) the accounting criteria key to giving a correct representation of the Group's financial, economic and property position; (ii) alternative accounting treatments provided for by the GAAPs regarding material elements discussed with management, highlighting the impact of the adoption of such alternative treatments and relevant information, as well as the treatments deemed advisable by the auditor; (iii) the content of any other written communication between the independent auditors and the Seat S.p.A. management and the Board of Statutory Auditors; and (iv) issues related to the annual accounts and the consolidated financial statements of the main companies in the Group. For this purpose, the Committee may meet the person responsible for auditing the financial statements of Seat S.p.A., the management of Seat S.p.A., as well as the highest administrative ranks of the main companies in the Group, together with the chairmen or other member of the respective board of statutory auditors or other supervisory bodies (if any), as well as the persons responsible for auditing the financial statements of such companies;
7. assesses the proposals made by the Independent Auditors for award of the independent auditing assignment, together with the audit work plan and the results shown in the report and in the advice letter, if any;
8. performs any further tasks assigned by the Board of Directors, and, in particular:
  - in its dealings with the independent auditors, assesses the admissible extra-audit tasks assigned to the Company auditing the financial statements, in accordance with the corporate provisions established for such purpose;
  - in its dealings with the related parties, expresses its opinion on the rules governing transparency and substantial and procedural fairness of the transactions with the abovementioned parties and those in which a director has an interest, whether on his/her own account or on behalf of third parties;
9. assists the Board of Directors in the process of preparing appraisals of the adequacy of the organisational, administrative and accounting structure of the internal audit system;
10. reports to the Board of Directors on the work done, at least every six months, expressing its opinion in relation to the matters involved in the delegated powers.

The Internal Audit Committee met 7 times in 2007 and once in the early 2008 and in particular performed the following activities:

- monitored the development of the organisational and operational structure of the Internal Audit Department;
- examined and assessed the progress of the activities envisaged in the review programme prepared for FY2007 and the results of the action taken;
- assessed the audit program prepared for FY2008;
- met with the Manager responsible for preparing the Company's financial reports, the Administration, Finance and Control top management, the Board of Statutory Auditors and the Partner of the Independent Auditors in order to examine the main features of the Financial Statements as at December 31, 2007, the correct use of accounting standards and their consistency for the purposes of preparing the consolidated financial statements;
- examined the issues arisen during their audit with the Partner of the Independent Auditors;
- favourably assessed the decision to task the independent auditors Reconta Ernst & Young S.p.A. with carrying out some agreed check and accounting due diligence procedures;

- monitored the formulation and progress of the Enterprise Risk Management (ERM) project aimed at defining an integrated approach to the identification, assessment, management and monitoring of business risks;
- monitored the setting up and progress of the “L. 262 - tutela del risparmio” (Law no. 262 – savings protection) project conducted by the Company with the support of advisor PricewaterhouseCoopers Advisory S.r.l., whose results are being considered by the Board of Directors;
- examined and approved the Report on the organisational, administrative and accounting structure of the Company.

The percentage of attendance at the Committee’s meetings was very high, totalling 95%. In this regard, see the attendance percentage referred to each member in the table attached to this report.

## 2) The internal audit system

The Board of Directors has the responsibility for the internal control system, establishing its guidelines, managing corporate risks, and periodically assessing its adequacy through the support of the Internal Audit Committee and the Person responsible for internal control.

The Company has sought to disseminate a culture at all levels of its business which is fully aware of the existence and usefulness of checks and controls. The Company’s Code of Ethics imposes responsibility on all for creating and maintaining an internal control system which is effective throughout the organisational structure. As a consequence all staff, in the context of their specific activities, have responsibility for the definition and correct functioning of the control system.

In accordance with Article 8.C.5. of the Code, **the Managing Director is charged with supervising the functionality of the Internal Audit System** and is also required to implement the indications provided by the Board of Directors. In particular:

- ensuring that the main business risks have been identified, taking account of the characteristics of the activities carried out by the issuer and its subsidiaries, submitting them for consideration by the board of directors on a periodical basis;
- the implementation of the indications provided by the board of directors, being responsible for the design, creation and management of the internal control system, checking its overall sufficiency, its effectiveness and efficiency on a continuing basis; the Managing Director also has responsibility for adapting the system to the dynamics of the operational conditions and the legislative and regulatory framework;
- the Managing Director is required to propose the appointment, dismissal and remuneration of one or more persons responsible for internal control to the board of directors.

The Company has an Internal Audit function which does not report, within the hierarchical structure, to any operational manager and it is structured in such a way as to (i) check and ensure the effectiveness and efficiency of the Internal Audit System and (ii) ascertain whether the system provides reasonable guarantees that the organisation will be able to achieve its objectives economically and efficiently.

The Internal Audit Manager - Mr. Francesco Nigri - is a member of the Supervisory Board as required by the Organisational Model under Legislative Decree no. 231/01 (referred to in below) and also acts as the **Person responsible for Internal Audit**.

In accordance with Criterion 8.C.5. letter c) of the Code, the Person responsible for Internal Audit, who does not report, within the hierarchical structure, to any operational manager, has been appointed by the Board of Directors on the proposal of the director instructed to supervise the functionality of the internal control system (the Managing Director, referred to in above), in consultation with the Internal Audit Committee. It is also specified that the Board of Directors also delegated the Managing Director to monitor the adequacy of the Person responsible for Internal Audit's pay over a period of time, consistently with the corporate policies.

The Person responsible for Internal Audit has been assigned, in accordance with Article 8.C.6. of the Code, the following main duties:

- a) to ensure that the internal control system is always adequate, fully operational and functioning;
- b) to report on the results of his/her work to the internal audit committee, the board of statutory auditors and the executive director charged with supervising the functionality of the internal control system. In particular, he/she is required to report on the manner in which risk management is carried out, as well as on compliance with the plans drawn up to deal with them, expressing his/her assessment of the internal control system's suitability for achieving an acceptable overall risk profile.

In order to perform his/her duties, the Person responsible for Internal Audit has access to all the information he/she deems useful and has the appropriate means for the fulfilment of the functions that have been assigned to him/her.

### **3) Law 28 December 2005 no. 262 - "Savings Act"**

The Savings Act has introduced amendments to the regulations concerned with joint stock companies requiring in particular, that the administrative procedures intended to provide corporate disclosures are both adequate and applied in practice. Notwithstanding the fact that SEAT PAGINE GIALLE S.p.A. already has a sufficiently structured control system, it welcomed the opportunity for a critical re-appraisal of the existing processes and procedures.

This activity was planned with methodological support from the PricewaterhouseCoopers Advisory S.r.l. (PwC) consultancy company and have been broken down into the following stages:

- o definition of the "scope". "Scoping" of the companies within the consolidation perimeter was assessed that, in quantitative terms, the subsidiaries are not of significant size. For this reason it was considered appropriate to carry out an analytical examination of the procedures governing the generation of accounting data by the Parent Company alone;
- o identification of the areas and processes to be examined. This activity involved the quantitative and qualitative analysis of current processes and the consequential identification of those considered to be the most sensitive for the purposes of the analysis concerned;
- o assessment of controls. An analysis and testing of existing controls is currently being conducted with reference to the areas and processes identified in the previous phase, concentrating particularly on data appearing in the Financial Statements (Completeness, Existence, Rights & obligations, Valuation, Recognition, Presentation, Disclosures);
- o the identification, where this is considered appropriate, of possible improvements to be made to the current internal control system and hence increased monitoring of the areas and processes considered sensitive for the purposes of the activities described above.

The setting up and progress of the project have been constantly monitored by the Internal Audit Committee and its results were assessed by the Board of Directors at the meeting held on December 20, 2007. It should be noted in particular that the Board of Directors - also on the basis of the work done in relation to the "project pursuant to Law no. 262" - expressed a favourable opinion of the efficacy,

adequacy and effective functioning of the internal control system (in compliance with the criterion 8.C.1, letter c), of the Code).

#### **4) Organisational, management and control model pursuant to legislative Decree no. 231/2001 - The Supervisory Board**

During 2004, the Company launched the so-called “Project 231” - designed to define the Company’s organisational model as envisaged by Legislative Decree No. 231/2001 in relation to legal entities’ administrative liability for criminal offences perpetrated by persons in top management positions and by those subject to their direction or supervision. The activities conducted made it possible to define the following documents that help illustrate the system of procedures and controls put in place to reduce the risk of the commission of crimes envisaged by the regulations in question:

- The “Group Code of Business Ethics” adopted by the Company presents the general principles (transparency, correctness, fairness) to comply with in the running and conduct of business;
- The “Principles and guidelines of the organisational, management and control model” identify, *inter alia*, the sensitive activities related to crimes against the public administration and corporate crimes, the Model's distinguishing features, the recipients, information flows, functions and powers of the Supervisory Board;
- The “Organisational Model” identifies the crimes against the public administration - highlighting the risk areas and the support areas - and corporate crimes. The Model was drawn up on the guidelines set by Confindustria, and appropriately adjusted in order to take into account the nature of business and the organisation of the internal audit system. This document is regularly updated in consideration of the frequent regulatory changes impacting Legislative Decree no. 231.

Documents may be perused on the Company’s website at the address: [http://www.seat.it/seat/en/governance/documentazione/decreto\\_legislativo/index.html](http://www.seat.it/seat/en/governance/documentazione/decreto_legislativo/index.html)

**The Supervisory Body** (set up pursuant to Legislative Decree no. 231/2001), is composed of Marco Reboa (Chairman), Marco Beatrice (Manager responsible for the Legal and Corporate Affairs Department of SEAT) and Francesco Nigri (Manager responsible for the Internal Audit Department of SEAT). This approach is in fact able to assure consistency with the guidance contained in the Accompanying Report of Legislative Decree no. 231/2001, endowing the Committee with the requisites of autonomy, independence, professionalism and continuity of action needed to perform the necessary activity efficiently.

The Supervisory Body is tasked with:

- implementing the Organisational Model, based upon the indications set forth in the “Principles and guidelines of Project 231”;
- overseeing the effectiveness of the Organisational Model, in order to guarantee that the lines of conduct adopted in the company comply with the established Organisational, management and control model;
- monitoring the effectiveness of the Organisational Model, in order to assess its appropriateness in preventing the occurrence of the crimes established;
- updating the Organisational Model, in order to acknowledge the appropriate adjustments following environmental and/or organisational changes in the Company.

During 2007, the Supervisory Body continued to perform its routine supervisory activity, as well as the examination of the recently-introduced regulatory changes impacting Legislative Decree no. 231/2001.

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### **Manager responsible for preparing the Company's financial reports (pursuant to Article 154-bis of the TUF)**

In accordance with the provisions under Article 154-*bis* of Legislative Decree no. 58/98, introduced by the so-called "Savings Act", the Extraordinary Shareholders' Meeting of the Company held on April 19, 2007, resolved to amend Article 19 of the Articles of Association, providing for the Board of Directors (subject to the mandatory opinion of the Board of Statutory Auditors) to be granted the power to appoint and dismiss the Manager responsible for preparing the Company's financial reports (hereinafter also referred to as the "Manager Responsible") determining his/her term of office. Only persons with at least three years of experience in a position of appropriate responsibility in the administrative and/or financial area of the Company or of another company of comparable size or organisational structure may be appointed as Manager responsible for preparing the Company's financial reports.

Having said this, the Board of Directors' meeting of June 19, 2007, appointed Mrs. Maurizia Squinzi - who has the position of Manager responsible for the Company's Administration, Finance and Control Department - as the Manager responsible for preparing the Company's financial reports until the shareholders' meeting called to approve the financial statements at December 31, 2008 (this term coinciding with that of the serving Board of Directors), directing that she exercise the powers and have the means at her disposal necessary for the effective performance of the duties referred to in the abovementioned Article 154-*bis* of Legislative Decree no. 58/98. The Manager Responsible reports at least every six months on the manner in which the work of the management and control of the process of the preparation of accounting documents is carried out, criticalities (if any) found during the relevant period and the adequacy of the structure and means put at her disposal.

The new position of the Manager Responsible takes on a fundamental role in the light of the strengthening of the Company's internal control system, attributing express importance to the internal process of preparing the draft of the annual report in particular, and to the main information documents concerning the Company's financial position in general.

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### **Directors' interests and transactions with related parties (Article 9 of the Code)**

As regards article 9 of the Code, we specify that the Company has already adopted an appropriate procedure governing the performance of disclosure obligations under the abovementioned Article 16 of the Articles of Association and Article 150, paragraph 1, of the *TUF*, whose purpose is to ensure transparency, not only as regards transactions with related parties in which an interest is held, either on its own account or on behalf of third parties, or which are influenced by the person that performs the activity of management and coordination (including inter-group transactions), but also as regards all transactions that have been conducted, the most important transactions in business, financial and capital terms undertaken by the Company and atypical or unusual transactions.

The Procedure also contains a document governing the "Standards of conduct for extraordinary transactions with related parties".

The Procedure is in any event effective in drawing attention to situations in which a director may have an interest on his/her own account or on behalf of third parties. As regards this aspect, it should also be noted that it is the Company's practice to circulate the documents regarding the items on the agenda

before board meetings so that the Directors are fully informed before taking decisions. One of the purposes of this is in fact to preliminarily allow to see whether there are any transactions in which a Director has an interest (see the document available on the Company's website at the address:

<http://www.seat.it/seat/en/governance/documentazione/procedura/index.html> ).

Criterion 9C1 of the Code recommends that the Board of Directors, in consultation with the Internal Audit Committee, (i) should establish the procedures for the approval and the performance of transactions implemented by the issuer, or its subsidiaries, with related parties; and (ii) should pinpoint the specific transactions (or lay down criteria for doing so) that have to be approved after a prior opinion from the Internal Audit Committee itself and/or with the assistance of independent experts. The "Standards of conduct for extraordinary transactions with related parties" (attached to the Procedure) already envisage the possibility of the Board being assisted by experts. Therefore, the Board resolved to integrate these Principles, deciding that the Board of Directors should only approve such transactions (namely extraordinary transactions with related parties are atypical or unusual transactions or transactions concluded on non-standard terms) after first considering the opinion of the Internal Audit Committee. This duty has also been envisaged in the Committee's Regulations.

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### **Members of the Board of Auditors (Article 10 of the Code)**

The Board of Statutory Auditors consists of three standing statutory auditors and two substitute statutory auditors, appointed by the Shareholders' Meeting, which also fixes their remuneration (article 22 of our Articles of Association).

The Shareholders' Meeting of April 27, 2006, proceeded to appoint the Board of Statutory Auditors for a three-year period, confirming the appointment of all members of the previous Board.

Below is reported the composition of the Board of Statutory Auditors, accompanied by the information on personal and professional characteristics of the members, pursuant to Article 144-*decies* of the Issuers' Regulations of Consob:

#### **- Enrico Cervellera (Chairman)**

Born in 1941. From 1965 to 1983 he was a member of the tax advisors' firm associated with Arthur Andersen, where he became a partner in 1976; he has been working in his own professional firm in Milan since 1983.

Degree in Economics and Commerce and Law; he is enrolled in the Register of Public Accountants (*Albo dei Dottori Commercialisti*) and he is also an Auditor.

#### **- Vincenzo Ciruzzi (Acting Auditor)**

Born in 1949. After three years' experience in a British accounting firm, he began to work as an independent professional in 1976. He was a member of the *Commissione per la Certificazione dei Bilanci* (Accounts Audit Committee) of the Association of Public Accountants (*Ordine dei Commercialisti*) in Milan for six years.

Degree in Economics and Commerce at Bocconi University in Milan; he is enrolled in the Register of Public Accountants (*Albo dei Dottori Commercialisti*) and he is also an Auditor.

#### **- Andrea Vasapolli (Acting Auditor)**

Born in 1962. Degree in Economics and Commerce at Turin University in 1987. He is a public accountant enrolled in the Turin Register since 1989, and is also an Auditor. He has been a fixed-term contract professor of tax law at the *Scuola Superiore dell'Economia e delle Finanze* (SSEF) in

Rome since 2002. Founder of Vasapolli & Associati (Turin and Milan) tax, corporate and legal advice firm. Statutory auditor of major companies in the industry, trade and services sector.

**- Guido Costa (Alternate Auditor)**

Born in 1965. He has been an independent public accountant since 1991. Degree in Business Economics at L. Bocconi University.

**- Guido Vasapolli (Alternate Auditor)**

Born in 1960. Degree in Economics and Commerce at Turin University in 1984. He is a Public Accountant enrolled in the Turin Register since 1986, and is also an Auditor.

Founder of Vasapolli & Associati (Turin and Milan) tax, corporate and legal advice firm. Statutory auditor of major companies in the industry, trade and services sector.

List submitted on the occasion of the appointment of the current Board of Statutory Auditors (Shareholders' Meeting of April 27, 2006, or the date before the introduction of article 144-octies in the Issuers' Regulations in relation to the publicity of the proposed appointments)

Pursuant to Article 144-*decies* of the Issuers' Regulations of Consob, note that, on the occasion of the appointment of the current Board by the Shareholders' Meeting held on April 27, 2006, the Company promptly took steps to publish the only list submitted (by the shareholder P.G. Subsilver S.A.), accompanied by the professional resumes of the candidates, on its website.

[see the Company's website at the address:

[http://www.seat.it/seat/it/governance/assemblee/2006/04\\_27\\_assemblea.html](http://www.seat.it/seat/it/governance/assemblee/2006/04_27_assemblea.html) ].

At that time, the shareholder Subsilver held 19.09% of the voting ordinary shares in the Shareholders' Meeting.

In accordance with the Articles of Association, statutory auditors too are appointed on the basis of lists that must be lodged at the Company's registered headquarters before the meeting. Given that Article 148, paragraph 2, of the TUF provides that the procedures for the election by the minority interests of an acting member of the board of statutory auditors must be determined by CONSOB regulation, article 22 of the Articles of Association - following the amendments resolved by the Shareholders' Meeting of April 19, 2007 - provides, *inter alia*, that "only those shareholders who, alone or together with others, own voting shares representing at least 2% of the voting capital in the Ordinary Shareholders' Meeting, or representing the lower percentage determined by CONSOB pursuant to Article 147-ter, I C, of Legislative Decree no. 58/1998, are entitled to submit lists." The provision under Article 148, paragraph 2-*bis*, of the TUF has also been adopted which requires the minority interests to designate the Chairman of the Board of Statutory Auditors and it has been specified that the member of the board of statutory auditors appointed by the minority interests shall be appointed from a list which is not connected, either directly or indirectly, with the shareholders who have presented or voted the list which has ranked first in the number of votes.

Furthermore, the abovementioned Shareholders' Meeting resolved to made some amendments in relation to the procedures for the submission of lists, in accordance with the critterion 10.C.1 of the Code, bringing the deadline for filing the lists from 10 to 15 days before the meeting and eliminating, as required for the Board of Directors, for simplification purposes, the burden to prove the investment share useful to submit lists in the two days before the meeting.

Note that each list must be deposited together with the professional resumes and the statements declaring that each candidate accepts the candidature and attests to the absence of any reasons for

ineligibility and incompatibility under their own responsibility, as well as the existence of the regulatory and requirements under the articles of association prescribed for the office.

With specific regard to application criteria of Article 10 of the Code, we specify that the Board of Statutory Auditors proceeded to formally comply with the recommendations therein. Specifically, the Board of Statutory Auditors resolved as follows :

- The statutory auditors act autonomously and independently also vis-à-vis the shareholders who elected them and spend as much time as is necessary on the diligent performance of the duties assigned to them. In this connection, the statutory auditors keep the information and documents that they acquire in the course of their duties confidential and observe the procedures that have been adopted for the disclosure of sensitive data outside the Company.
- The statutory auditors acknowledge that the issuer has adopted procedures and methods of behaviour that ensure the effective performance of the duties proper to the board of statutory auditors, such as, by way of example: (i) the participation of the Board members in the Internal Audit Committee's meetings; (ii) the participation of at least one Board member in the meetings of the Supervisory Board set up pursuant to Legislative Decree no. 231/2001; (iii) direct and constant contact with the Official Internal Auditor, who also holds the position of Head of the Company's Internal Audit Department; during the course of their duties, the statutory auditors may ask this Department to verify specific areas of operations or corporate transactions; (iv) the participation, by request, of the company officers concerned in the Board of Statutory Auditors' Meetings.
- The Board of Statutory Auditors verifies annually that the requirements regarding the independence of the statutory auditors are satisfied; the outcome of the verification is mentioned in the corporate governance report;
- The statutory auditor who has an interest, either on his/her own account or on behalf of third parties, in any transaction proposed by the Company proceeds to inform the other statutory auditors and the Chairman of the Board of Directors exhaustively and in good time of the nature, the terms, the origin and the extent of his/her interest;
- The Board of Statutory Auditors supervises the independence of the independent auditors, verifying both its compliance with the relevant regulatory provisions and the nature and extent of the services other than auditing rendered by the independent auditors and the entities in its network to the issuer and its subsidiaries, in accordance with the provisions under the "Procedure for the assignment of tasks to independent auditors" adopted by the Company in December 2005;
- The Board of Statutory Auditors and the Internal Audit Committee promptly exchange the information that is relevant to the performance of their respective duties;
- In the framework of the duties assigned to it by law, the Board of Statutory Auditors verifies that the criteria and the procedures adopted by the Board of Directors for the assessment of the independence of its members are correctly applied, subsequently disclosing the outcome of these controls to the market within the corporate governance report and the statutory auditors' report to the Shareholders' Meeting.

We specify that, as regards criterion 10C2 of the Code, the Board of Statutory Auditors verified that the independence requirements regarding each statutory auditor were satisfied, also on the basis of the criteria laid down for Directors in this Code.

Furthermore, in accordance with criterion 3C5 of the Code, the Board of Statutory Auditors verified that the criteria and the procedures for the assessment of the independence requirements regarding

each member were properly applied (for this purpose, see what is indicated above with reference to Article 3 of the Code).

The main activities performed by Acting Statutory Auditors are highlighted below (data updated at 31 December 2007):

Enrico Cervellera	Director of Ferrero SpA; Chairman of the Board of Statutory Auditors of Interpump S.p.A., Lactalis Italia SpA Group (*), S.p.A. Egidio Galbani (*), biG Srl (*); Acting Auditor of Brembo S.p.A., Luxottica Group S.p.A., Tamburi Investment Partners S.p.A  (*Galbani Group company
Vincenzo Ciruzzi	Acting Auditor of Dexia Crediop SpA, Twice Sim SpA, Raffineria di Gela SpA, Enipower Mantova SpA
Andrea Vaspolli	Acting Auditor of Aksia Group SGR SpA

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### Relations with Shareholders (Article 11 of the Code)

In accordance with principles under Article 11 of the Code, pursuant to which the Board of Directors promotes initiatives aimed at encouraging participation of the shareholders in the meetings as widely as possible and helping them to exercise their rights, we specify as follows:

- the Company published the notice of call of meetings in the daily newspaper “Il Sole 24 Ore”, in line with the established use by SEAT of this newspaper as an information medium already known to shareholders.
- As to the place, the shareholders’ meetings must always be convened at the Company’s secondary office located in Turin
- As regards the right of attendance, on April 19, 2007, the Extraordinary Shareholders’ Meeting passed a resolution to bring the provisions under article 8 of the Articles of Association in line with the provisions under Article 2370, paragraph 2, of the Italian Civil Code (“Right to attend the shareholders’ meeting and exercise of voting”), providing that only shareholders for whom the Company has received notification from the intermediary within the two days prior to the date of individual meetings, can attend shareholders’ meetings.
- Within fifteen days of the date of the Shareholders’ Meeting, documents made available to the public are also published on the Company’s website in the section called “Corporate Governance”

Documents to be consulted for the purposes of the Shareholders’ Meetings must be sent to all shareholders that request them, including by an appropriate e-mail address. Information may also be given on the phone.

As regards application criteria under Article 11 of the Code, we specify that in 2007 the Company gave precise and timely notice in order to guarantee correct and transparent disclosures on the Company's

activities, in compliance with the “Procedure of Seat Pagine Gialle S.p.A. for the management and market disclosure of inside information” (referred to above).

Appropriate corporate functions guarantee, in particular, relations with the national and international financial community (Investor Relations) and the shareholders (Legal and Corporate Affairs).

In 2007, the Investor Relations function organised numerous formal meetings with the market (financial analysts, institutional investors and representatives of the financial community) through quarterly conference calls, road shows and conferences. The Company also conducts daily contacts, through direct meetings and conference calls with financial analysts and institutional investors.

To further promote relations with members of the financial market, the Company has released on its website all of its economic and financial documentation (financial statements, half-year and quarterly reports), supporting documents (presentations to the financial community), a special section named “Corporate Governance” (including the documentation relating to the Company’s governance system, the information on corporate bodies, as well as the reports and material to be used by the shareholders’ meeting), as well as the press releases issued by the Company, both in Italian and English. The website also has a section with useful information for all Shareholders and an on-line update on the Group’s stock prices. It should particularly be noted that during 2007 the Company restyled its institutional website, enriching the content and creating new sections.

You may contact the Investor Relations Department as follows:

Telephone no. +39 011 4352600; fax no. + 39 011 4352722; e-mail [investor.relations@seat.it](mailto:investor.relations@seat.it)

As regards calling the Shareholders’ Meeting, note that the Board of Directors will take steps to bring article 10 of the Articles of Association in line with the provisions under Article 154-ter, introduced by the so-called Transparency Decree (Legislative Decree no. 195 of November 6, 2007)<sup>4</sup>: consequently, arrangements will be made for the Ordinary Shareholders’ Meeting to approve the financial statements to be called, without any postponement, within 120 days after the end of the financial year.

Shareholders’ meetings are also held whenever the Board deems it necessary or when so required by law.

With reference to critereon 11C3 of the Code, as regards the right of attendance, as indicated above while commenting principles under Article 11 of the Code, the Extraordinary Shareholders’ Meeting of April 19, 2007, resolved to bring the provisions under article 8 of the Articles of Association in line with the provisions under Article 2370, paragraph 2, of the Italian Civil Code (“Right to attend the shareholders’ meeting and exercise of voting”), providing that only shareholders for whom the Company has received notification from the intermediary within the two days prior to the date of individual meetings, can attend shareholders’ meetings.

The Shareholders’ Meeting, upon the proposal of the meeting’s Chairman, appoints a secretary, who need not be a shareholder. In the possible cases contemplated by law and when the meeting’s Chairman deems it to be necessary, meeting minutes are prepared in the form of a public deed by a notary designated by the Chairman.

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<sup>4</sup> Article 154-ter, no. 1, of the TUF: “Without prejudice to the conditions under Articles 2429 of the Italian Civil Code and 156, paragraph 5, **within one hundred and twenty days of the end of the financial year**, listed issuers whose Member State of origin is Italy approve the annual accounts and publish the annual statutory report including the annual accounts, the consolidated accounts, where prepared, the report on operations and the declaration referred to in Article 154-bis, paragraph 5. The independent auditors’ reports referred to in Article 156 are fully published together with the annual statutory report.”

Note that these provisions apply to the preparation of annual, half-year and interim statutory reports for periods beginning on the date after this decree came into force (therefore, as from January 1<sup>st</sup>, 2008).

Directors make every effort to facilitate shareholders' attendance of shareholder meetings. Whenever possible, all directors and statutory auditors (especially those directors who - by virtue of the position held - can make a useful contribution to meeting discussions) take part in shareholders' meetings.

As regards application criterion 11C5 of the Code, the characteristics of the Company's shareholder meetings - i.e. streamlined proceedings and absence of criticalities - have allowed us not to propose, thus far, adoption of a shareholders' meeting regulation. We also point out that the reworded version of Article 2371 of the Italian Civil Code expressly envisages, as regards meeting chairmanship, that the meeting's Chairman check proper constitution of the meeting and the identity and legitimation of those present, manage meeting proceedings, and ascertain the results of voting (pursuant to Article 12 of the Articles of Association, the meeting's Chairman checks - also via specifically appointed officers - the right to attend, compliance of proxies with current legislation, the valid constitution of the meeting as such, and the identity and legitimation of those present. He manages meeting proceedings and takes appropriate measures to assure orderly discussion and voting, defining the latter's approach and ascertaining results; in particular, as regards shareholders' right to speak, the Chairman usually states that speeches must be concise, pertinent to the agenda and not exceed a maximum time, which the Chairman will set for each person that takes the floor. Those that have already taken part in the discussion may ask to take the floor again in order to respond to previous speakers).

The Shareholders' Meeting for the approval of the annual accounts for the financial year ended December 31, 2006, was held on April 19, 2007. The Board, in the person of the Managing Director, reported on the activities that had been carried out and planned and took steps - together with the Chairman - to ensure that the shareholders were given sufficient information for them to take the decisions that are the responsibility of the shareholders' meeting with full knowledge of the facts regarding the points in question (criterion 11C4 of the Code).

On April 19, 2007, the Special Meeting of Savings Shareholders resolved to appoint Edoardo Guffanti as Common Representative of Savings Shareholders for the years 2007-2008-2009.

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### Independent Auditors

The Ordinary Shareholders' Meeting held on April 27, 2006, appointed Reconta Ernst & Young SpA to carry out auditing activities for the financial years 2006-2011.

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### Section III - TABLE 1 STRUCTURE OF THE BoD AND THE COMMITTEES

Board of Directors							Internal Audit Committee •		Compensation Committee ♦		Appointments Committee (if any) ◇		Executive Committee (if any)	
Office	Members	Executive	Non-executive	Independent	****	No. of other offices **	***	****	***	****	***	****	***	****
<b>Chairman</b>	Giliberti Enrico		x		100	3								
<b>Managing Director</b>	Majocchi Luca	x			100	1								
<b>Director</b>	Belloni Antonio		x		71	2			x	100				
<b>Director</b>	Benassi Lino			x	71	3	x	86						
<b>Director</b>	Cossutta Dario		x		79	-			x	100				
<b>Director</b>	Di Palo Carmine		x		93	-								
<b>Director</b>	Gros Pietro Gian Maria			x	86	5			x	100				
<b>Director</b>	Lanari Luigi		x		57	4								
<b>Director</b>	Lucchini Marco		x		79	-	x	100						
<b>Director</b>	Marini Michele		x		100	-								
<b>Director</b>	Masera Pietro		x		86	-								
<b>Director</b>	Reboa Marco			x	93	6	x	100						
<b>Director</b>	Volpi Nicola		x		57	3								

• Summary of reasons for absence of Committee or for different composition to that recommended by the Code:

◆ Summary of reasons for absence of Committee or for different composition to that recommended by the Code:
◇ Summary of reasons for different composition (if applicable) to that recommended by the Code: <i>It was not deemed necessary to set up, within the Board of Directors, an Appointments Committee tasked with proposing director level posts, given also that - as mentioned in the Report – a list-based voting system has been put in place to guarantee clear election procedures and a well-composed Board.</i>

<b><i>Number of meetings held in 2007</i></b>	<i>BoD:14</i>	<i>Internal Audit Committee: 7</i>	<i>Compensation Committee:3</i>	<i>Appointments Committee:-</i>	<i>Executive Committee:-</i>
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**NOTES**

- \*An asterisk beside a name indicates whether the director was designated via lists submitted by the minority.
- \*\*This column shows the number of offices held by the person concerned as a director or statutory auditor in other companies listed on regulated Italian and foreign markets; in financial, banking and insurance companies; or in companies of major size. In the main body of the Corporate Governance Report offices held are indicated in full.
- \*\*\*In this column “X” indicates that a director is a member of the committee concerned.
- \*\*\*\* This column indicates directors’ percent attendance respectively of Board and committee meetings.

**TABLE 2: BOARD OF STATUTORY AUDITORS**

Office	Members	% attendance of meetings of Board of Statutory Auditors	Number of other offices held **
Chairman	Cervellera Enrico	100	8
Standing statutory auditor	Ciruzzi Vincenzo	100	4
Standing Statutory Auditor	Vasapolli Andrea	100	1
<b>Number of meetings held in 2007: 7</b>			
<b>Minimum equity ownership required for submittal of lists by minorities for election of one or more standing statutory auditors (under Article 148 of the TUF):</b>			
<i>2% or the lower percentage determined by Consob pursuant to Article 147-ter, I C, of Legislative Decree no. 58/1998</i>			

**NOTES**

\*An asterisk beside a name indicates whether the statutory auditor was designated via lists submitted by the minority.

\*\*This column shows the number of offices held by the person concerned as a director or statutory auditor in other companies listed in the Italian regulated markets. In the Report on Corporate Governance offices held are indicated in full.

**TABLE 3: OTHER PROVISIONS OF SELF-GOVERNANCE CODE**

	YES	NO	Summary of reasons for any departure from Code Recommendations
<b>System of delegated powers and for transactions with related parties</b>			
Has the BoD delegated powers defining their:			
a) Limits ?	x		
b) Method of exercise ?	x		
c) Frequency of reporting ?	x		
Has the BoD reserved as its prerogative the review and approval of transactions particularly important in business, capital and financial terms (including transactions with related parties) ?	x		
Has the BoD defined guidelines and criteria for identification of "important" and "major" transactions ?	x		
Are the above guidelines and criteria described in the report ?	x		
Has the BoD defined specific procedures for review and approval of transactions with related parties ?	x		
Are the procedures for approval of transactions with related parties described in the report ?	x		
<b>Procedures for the most recent appointment of directors and statutory auditors (*)</b>			
Were candidacies for directorship lodged at least 10 days beforehand ?	x		
Were candidacies for directorship accompanied by exhaustive information ?	x		
Were candidacies for directorship accompanied by an indication of eligibility for classification as independent directors ?	x		
Were candidacies for the office of statutory auditor lodged at least 10 days beforehand ?	x		
Were candidacies for the office of statutory auditor	x		

accompanied by exhaustive information ?			
<b>Shareholders' Meetings</b>			
Has the company approved a Regulation for Shareholders' Meetings?		x	The characteristics of our shareholder meetings - i.e. streamlined proceedings and absence of criticalities - have allowed us not to propose, thus far, adoption of a shareholders' meeting regulation. We also point out that Article 2371 of the Italian Civil Code expressly envisages, as regards meeting chairmanship, that the meeting's Chairman check proper constitution of the meeting and the identity and legitimation of those present, manage meeting proceedings, and ascertain the results of voting.
Is the Regulation attached to the report (or is it indicated where it can be obtained/downloaded)?			
<b>Internal Audit</b>			
Has the company appointed official internal auditors?	x		
Are the official internal auditors free of hierarchical relationships with the heads of operating areas?	x		
Organisational unit responsible for internal auditing (as per Article 9.3 of the Code)	The Official Internal Auditor is the head of the Internal Audit function		
<b>Investor relations</b>			
Has the company appointed an investor relations manager?	x		
Organisational unit and contact details (address/telephone/fax/e-mail) of investor relations function	Investor Relations - Via Saffi no. 18, Turin, Italy – Telephone +39 011 4352600; fax +39 011 4352722; e-mail: investor.relations@seat.it		

(\*) as made in the Shareholders' Meeting of April 27, 2006

## Annex

### **Sections in the Articles of Association of SEAT Pagine Gialle SpA referred to in SECTION I of this Report**

#### TITLE II SHARE CAPITAL AND BONDS ARTICLE 5- SHARE CAPITAL SIZE

The Company's share capital, subscribed and paid in, is equal to EUR 250,348,664.46 divided into 8,208,880,696 ordinary shares and 136,074,786 savings shares, of nominal value of EUR 0.03 each.

In resolutions concerning paid capital increases, the option right can be excluded to the maximum extent of 10 per cent of previously existing capital, on condition that the issue price corresponds to the shares' market value and that this is confirmed in a specific report by the firm appointed to perform independent auditing of accounts.

The Extraordinary Shareholders' meeting held on November 18<sup>th</sup> 2003, as supplemented by the resolution passed by shareholders at the meeting held on April 15<sup>th</sup> 2004 and by the resolution passed by shareholders at the meeting held on April 19 2007, has approved that: (i) The share capital may be further increased, with increases in a divisible form, by December 31<sup>st</sup> 2008, by maximum EUR 3,098,853.24 through the issue of up to 103,295,108 ordinary shares of nominal value of EUR 0.03, to be offered to the directors and employees of the Company or to the employees of its controlling company pursuant to paragraph 1, point 1 of article 2359 of the Italian Civil Code, or to the employees of its subsidiaries pursuant to the stock option plans implemented by the Company; (ii) The Board of Directors may, pursuant to Article 2443 of the Italian Civil Code, increase the share capital of the Company on one or more occasions, by December 23<sup>rd</sup> 2008 by a maximum of EUR 5,031,630.39, through the issue of up to 167,721,013 ordinary shares of nominal value of EUR 0.03, with exclusion of option rights in the terms illustrated hereunder, in order to service the stock option plans implemented by the Company and/or any other plan which may from time to time be approved by the Board of Directors, in order to offer such shares to: (i) the employees to be identified by the Directors, or to the employees of its controlling companies pursuant to paragraph 1, point 1 of article 2359 of the Italian Civil Code, or to the employees of any subsidiary. Such increases will not allow the exercise of the option rights under the last paragraph of article 2441 of the Italian Civil Code and paragraph 2 of article 134 of Law-Decree no. 58 of 24<sup>th</sup> February 1998, and/or (ii) within the limit of a maximum of 16,800,00 ordinary shares of a nominal value of EUR 0.03 each, to managing directors (non-employees) of the Company, or of its subsidiaries, to be identified by the Board of Directors, in which case exclusion of the option right must be performed pursuant to the combined provisions of Article 2443, first paragraph, second part, and of Article 2441, fifth paragraph, of the Italian Civil Code, and therefore by the Board of Directors when exercising the powers delegated, based on the prerequisite of effective existence of the corporate interest and observing further conditions envisaged by Article 2441, sixth paragraph, of the Italian Civil Code, insofar as they are applicable.

On June 21<sup>st</sup> 2004 the Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15<sup>th</sup> 2004, decided to increase the share capital by a maximum nominal amount of EUR 1,950,000 via the issue of a maximum number of 65,000,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price of EUR 0.3341, reserved for subscription by employees of SEAT PAGINE GIALLE SpA and of subsidiaries as per Article 2359, first paragraph, point 1, of the Italian Civil Code who, on June 7<sup>th</sup> 2004, were identified as participating in the 2004 stock option plan for employees. If the capital increase is not fully subscribed by December 31<sup>st</sup> 2009, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

On July 22<sup>nd</sup> 2004 the Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15<sup>th</sup> 2004, decided to increase the share capital by a maximum nominal amount of EUR 300,000 via the issue of a maximum number of 10,000,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price of EUR 0.3341, reserved for subscription by employees of the subsidiary as per Article 2359, first paragraph, no. 1, of the Italian Civil Code, TDL Infomedia Limited, who, on June 30<sup>th</sup> 2004, were identified as participating in the "2004 stock option plan for TDL employees". If the capital increase is not fully subscribed by December 31<sup>st</sup> 2009, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

On November 25<sup>th</sup> 2004 the Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15<sup>th</sup> 2004, decided to increase the share capital by a maximum nominal amount of EUR 150,000 via the issue of a maximum number of 5,000,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price of EUR 0.3341, reserved for subscription by the Managing Director of SEAT PAGINE GIALLE S.p.A.. If the capital increase is not fully subscribed by December 31<sup>st</sup> 2009, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

The Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15<sup>th</sup> 2004, decided - according to the resolutions of the meetings held on April 8<sup>th</sup> 2005 and October 11<sup>th</sup> 2005 - to increase the share capital by a maximum nominal amount of EUR 2,022,000 via the issue of a maximum number of 67,400,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price equal to the "*valore normale*" (fair value as defined in accordance with Italian tax law and taking into account that the options have been assigned on April 8<sup>th</sup> 2005) , reserved for subscription by employees of SEAT PAGINE GIALLE SpA and of subsidiaries as per Article 2359, first paragraph, point 1, of the Italian Civil Code who, on April 8<sup>th</sup> 2005, were identified as participating in the 2005 stock option plan for employees. If the capital increase is not fully subscribed by December 31<sup>st</sup> 2010, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

On April 8<sup>th</sup> 2005 the Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15<sup>th</sup> 2004, decided to increase share capital by a maximum nominal amount of EUR 150,000 via the issue of a maximum number of 5,000,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price equal to the "*valore normale*" (fair value as defined in accordance with Italian tax law and taking into account that the options have been assigned on April 8<sup>th</sup> 2005) and in any case not lower than EUR 0,3133, as results from the Board's resolutions, reserved for subscription by

the Managing Director of SEAT PAGINE GIALLE S.p.A.. If the capital increase is not fully subscribed by December 31<sup>st</sup> 2010, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

On November 8th 2005 the Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15th 2004, decided to increase the share capital by a maximum nominal amount of EUR 280,050 via the issue of a maximum number of 9,335,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price of EUR 0.3221, reserved for subscription by employees of the subsidiary Thomson Directories Limited, who were identified as participating in the 2005 stock option plan for TDL employees. If the capital increase is not fully subscribed by December 31<sup>st</sup> 2010, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

On November 8th 2005 the Board of Directors, partly implementing the powers delegated to it by the Extraordinary Shareholders' Meeting under Article 2443 of the Italian Civil Code via the latest resolution passed on April 15th 2004, decided to increase the share capital by a maximum nominal amount of EUR 48,000 via the issue of a maximum number of 1,600,000 ordinary shares of nominal value of EUR 0.03 each, with normal entitlement, at the unitary price of EUR 0.3915, reserved for subscription by employees of "SEAT PAGINE GIALLE S.p.A." and of subsidiaries as per Article 2359, first paragraph, point 1, of the Italian Civil Code who, on November 4<sup>th</sup> 2005, were identified as participating in the completion of the 2005 stock option plan for employees of the Seat Group. If the capital increase is not fully subscribed by December 31<sup>st</sup> 2010, capital will be deemed to have been increased by an amount equal to the subscriptions collected, as better specified in the Board resolution.

#### ARTICLE 6 – SHARES

The Shareholders' Meeting may resolve to issue shares with varying rights, in accordance with law.

Within the limits and conditions established by law, the shares may be bearer shares.

Bearer shares may be converted into registered shares and vice versa at the request and expense of the interested party.

Shares are issued according to the dematerialisation system.

Savings shares have the privileges and rights described in this article.

Net profits reported in the regularly approved financial statements, less allocations to legal reserves, must be distributed to holders of savings shares up to an amount equal to five per cent of the par value of the shares.

Any profits remaining after allocating the preferred dividend to the savings shares as established in the previous paragraph and as resolved by the Shareholders' Meeting shall be distributed among all shares so that savings shares receive a greater cumulative dividend than ordinary shares, equal to two per cent of the par value of the shares.

When a dividend that is less than the amount indicated in the sixth paragraph from above is allocated to savings shares during any fiscal year, the difference shall be added to the preferred dividend during the two subsequent fiscal years.

In the case of distribution of reserves, savings shares have the same rights of other shares. Moreover, the meeting that approves the financial statements has the option - in case such financial statements show no or insufficient net profit -, to use the available reserves in order to meet the capital rights mentioned under item six above as possibly increased according to item eight above.

A share capital reduction due to losses shall not entail a reduction in the par value of savings shares except for the portion of the loss exceeding the total par value of the other shares.

At the winding up of the company, savings shares shall have preference in redemption of share capital for the full par value.

In order to provide the common representative with sufficient information on operations that may impact on the price development of savings shares, said representative shall be sent notices with regard to this matter, as it is relevant and required by law.

If at any time ordinary or savings shares of the company are excluded from trading, savings shares shall retain their rights and characteristics, unless savings shareholders are given the right to request conversion of their shares to ordinary or preferred shares listed on the exchange, with the same characteristics as the savings shares, in accordance with pertinent legal provisions in effect at that time, and the right to vote only in Extraordinary Shareholders' Meetings. The right to convert may be exercised by savings shareholders according to the terms and conditions to be defined by a resolution of the Extraordinary Shareholders' Meeting convened for this purpose, subject to approval by a meeting of savings shareholders, if applicable.

TITLE III  
SHAREHOLDERS' MEETING  
**ARTICLE 8 - RIGHT TO PARTICIPATE**

Shareholders with the right to vote, for whom the Company has received notification from the intermediary, under Article 2370, paragraph 2, of the Italian Civil Code, within the two days preceding the date of each shareholders' meeting, can attend shareholders' meetings.

Every shareholder who has the right to attend shareholders' meetings can cause himself/herself to be represented by means of a written proxy pursuant to law.

The proxy may be issued to an individual or legal entity.

**ARTICLE 11 - ORDINARY AND EXTRAORDINARY SHAREHOLDERS' MEETINGS**

Only ordinary shares are entitled to vote in Ordinary Shareholders' Meetings.

At Extraordinary Shareholders' Meetings ordinary shares are entitled to vote and, if issued, preference shares that have voting rights.

The quorum for the establishment and resolutions of Shareholders' Meetings is provided for by the law.

TITLE IV  
ADMINISTRATIVE AND GOVERNING BODIES  
**ARTICLE 14 - COMPOSITION OF THE BOARD OF DIRECTORS**

The Company is managed by a Board of Directors composed of a minimum of 7 (seven) and a maximum of 21 (twenty-one) directors.

The Shareholders' Meeting determines the number of members of the Board of Directors, which remains unchanged until otherwise resolved and throughout the term of office, subject to the maximum limits established by law.

Directors may be reelected.

Whenever, for any reason whatsoever, the majority of Directors elected by the Shareholders' Meeting cease to perform their duties before their term of office has elapsed, the term of office of the remaining directors on the Board of Directors is considered to have expired and they shall cease to perform their duties when the Board of Directors is reappointed by the Shareholders' Meeting.

The appointment of the Board of Directors shall be based on a list submitted by the shareholders, in accordance with the following paragraphs, or by the exiting Board of Directors, in any case without prejudice to the application of different and further provisions under mandatory legal or regulatory rules. The candidates must be listed progressively.

Each list must contain and expressly indicate at least two candidates who meet the independence requirements required in Article 147-*ter*, IV C, of Legislative Decree no. 58/1998.

The list submitted by the exiting Board of Directors shall be deposited at the registered office of the Company and published in at least one nationally circulated daily newspaper at least twenty days prior to the date scheduled for the initially convened Shareholders' Meeting.

The lists submitted by the shareholders shall be deposited at the registered office of the Company and published in at least one nationally circulated daily newspaper at the expense of the shareholders at least fifteen days prior to the date scheduled for the initially convened Shareholders' Meeting. Every shareholder may submit or agree to the submission of only one list, and every candidate may list himself/herself on only one list, or otherwise shall be disqualified.

Only those shareholders who, alone or together with other shareholders, own voting shares representing at least 2% of the voting capital in ordinary shareholders' meetings, or representing the lower percentage determined by CONSOB pursuant to Article 147-*ter*, I C, of Legislative Decree no. 58/1998, shall be entitled to submit a list. In order to prove the aforesaid title, together with the lists presented by the shareholders, a copy of the certificates issued by authorised intermediaries and proving ownership of a number of shares necessary to present the lists themselves is to be filed with the registered offices of the Company.

Together with each list, within the term indicated above, professional resumes and statements are to be submitted in which each candidate accepts the nomination and attests, under his or her own responsibility, that there is no cause for ineligibility or disqualification, and to his/her compliance with the requirements of law and the bylaws prescribed for the position, and mentions the possibility of being qualified as independent pursuant to Article 147-*ter*, IV C, of Legislative Decree no. 58/1998. Any lists which fail to observe the foregoing requirements shall be considered as not having been submitted.

All shareholders with voting rights may only vote one list.

Except as otherwise required by the below listed conditions for compliance with the minimum number of directors who, in accordance with applicable regulations, must meet the independence requirements or be appointed, where possible, by minority interests, the procedures indicated below are to be followed in electing the Board of Directors:

1) from the list that received the greatest number of votes in the Shareholders' Meeting, four fifths of the directors to be elected are selected, rounded down to the next whole number if this is a fraction, based upon their order of priority on the list;

2) the remaining directors are elected from other lists; for this purpose, the votes received by the lists are successively divided by one, two, three, four, according to the number of directors to be elected. The resulting quotients shall be progressively assigned to the candidates on each of these lists, according to the respective order of priority. The quotients assigned to the candidates on the various lists shall be arranged in a single list in decreasing order. Those who receive the highest quotient shall be elected. If two or more candidates receive the same quotient, the candidate on the list that has not elected any director or which has elected the least number of directors shall be elected.

If none of the lists has elected a director or if all have elected the same number of directors, the candidate on the list that received the greatest number of votes shall be elected. In the event of an equal number of votes and the same quotients, a new vote shall be held, and the candidate who receives the simple majority vote shall be elected.

It is understood that:

- (i) at least one director must be appointed from a list, if any, which is not connected, either directly or indirectly, with the shareholders who have presented or voted the list which has ranked first in the number of votes, and
- (ii) at least one director appointed from the list which has obtained the majority of the votes at the shareholders' meeting, as well as at least one of the directors appointed from the list ranking second in the number of votes obtained, shall meet the independence requirements under Article 147-*ter*, IV C, of Legislative Decree no. 58/1998.

In order to appoint directors for any reason who are not appointed in the manner described above, the Shareholders' Meeting shall pass resolutions with the majority provided by law, without prejudice to the obligation to comply with the minimum number of directors who meet the abovementioned independence requirements.

If, during the course of the fiscal year, one or more directors cedes from his post, the procedures indicated in Article 2386 of the Italian Civil Code shall prevail.