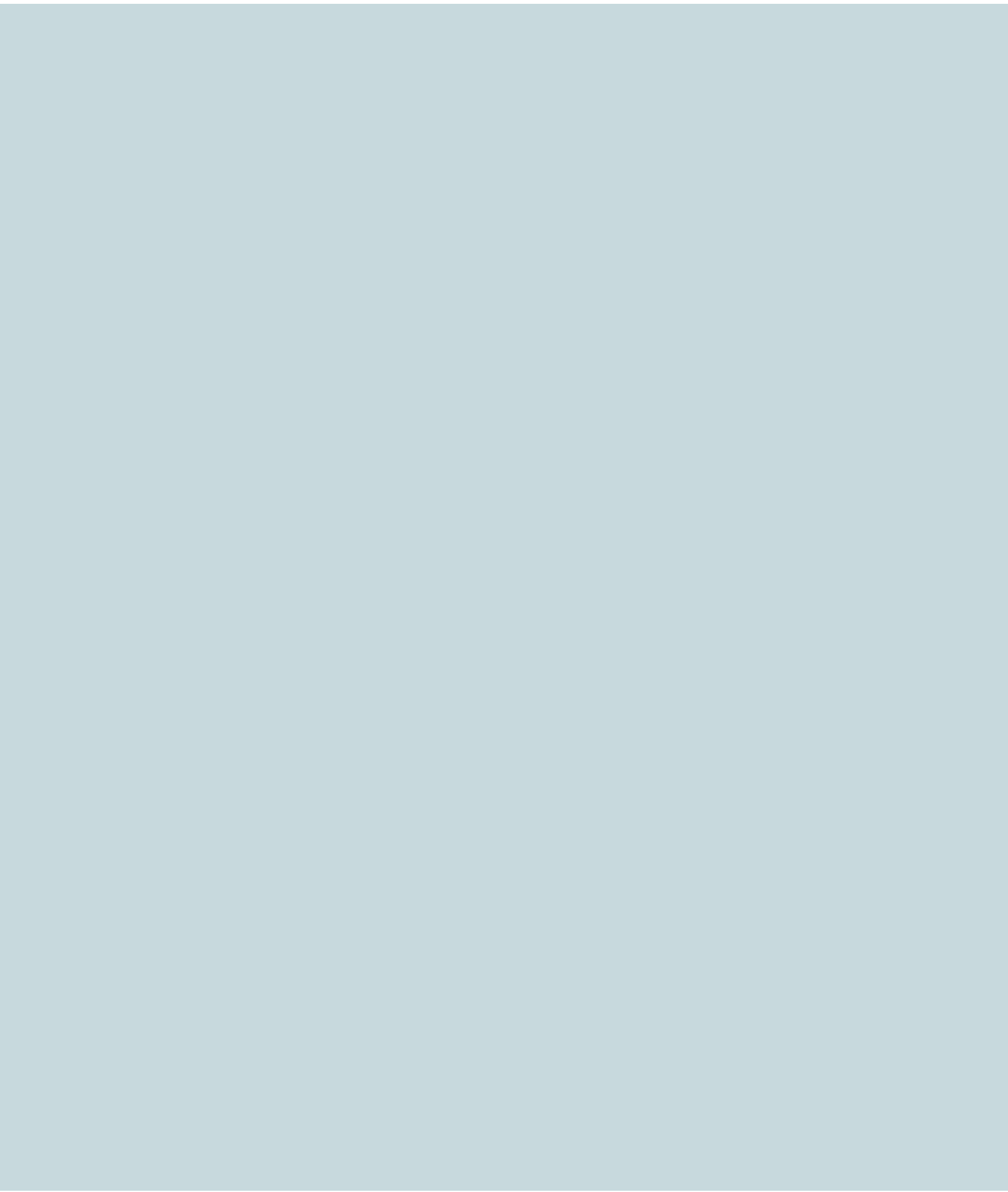




> Corporate Governance  
Report  
Year 2007

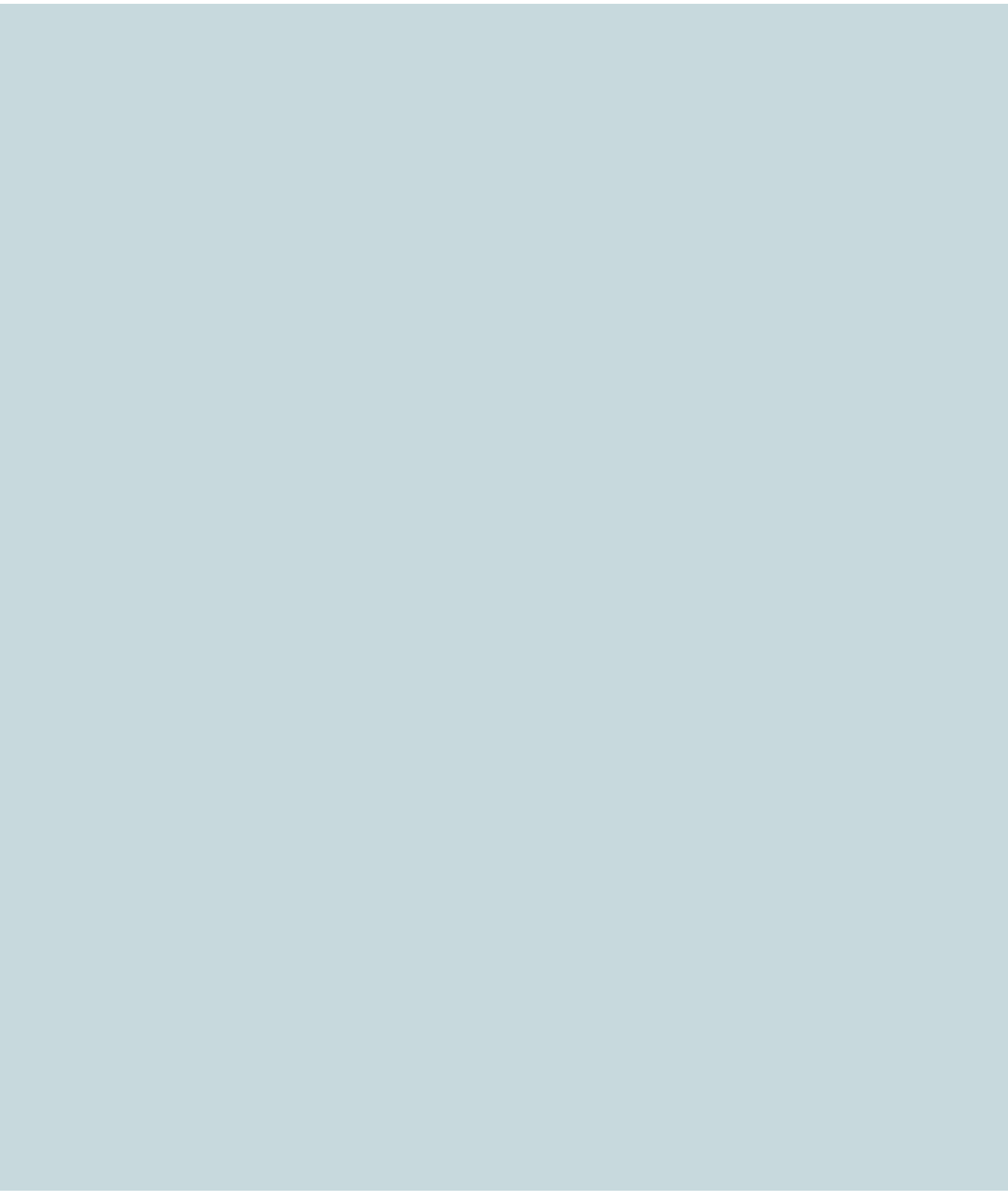
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## Introduction

On October 16, 2006, the company ERG S.p.A. acquired from the Agarini Group a majority shareholding in Enertad SpA of 51.35%;

On December 20, 2007 ERG S.p.A., following the exercise of the "put" contract subscribed on October 16, 2006, acquired from Alerion Industries S.p.A. 16,159,920 Enertad shares, amounting to 17.03% and bringing its total to 68.38% of the share capital of Enertad S.p.A.

For informational purposes, it is communicated that with effect from December 20, 2007, the Shareholder Agreement relating to Enertad shares, subscribed on October 16, 2006 between ERG S.p.A. and Alerion Industries S.p.A., is no longer effective. (see joint press release by ERG and Alerion of December 14, 2007).

On December 15, 2006, the Board of Directors of Enertad adopted the new Self-Governance Code recommended by the Corporate Governance Committee of Borsa Italiana S.p.A. in March 2006 which was applied during 2007.

On March 14, 2008, within the framework of the integration process of ERG Power & Gas activities in renewable energies into Enertad, the Board of Directors decided to implement some organisational changes in order to facilitate the operational integration of the activities.

As part of this process, the Directors Mr. Salvatore Russo and Mr. Paolo Panella resigned as Chief Executive Officers and also therefore the related powers conferred to them. The Board of Directors appointed Mr. Raffaele Tognacca as CEO of Enertad SpA.

To ensure managerial continuity in some important business areas, Mr. Raffaele Tognacca will be assisted by the Vice Chairman Mr. Salvatore Russo in dealing with extraordinary operations and communications with investors and financial analysts; the Director Mr. Paolo Panella will provide assistance on operations relating to the "Water Services" sector and the activities deriving from the disposals in 2006, in which Enertad provided guarantees to the buyers.

In addition, in order to change the organisational structure to reflect the new business activities, the Board of Directors appointed Mr. Francesco Del Balzo as the General Manager, conferring upon him powers of ordinary administration.

## Corporate Governance Report

(Disclosures pursuant to Section IA.2.14 of the Stock Exchange Market Regulations)

The present report illustrates the Corporate Governance model which Enertad SpA (hereafter the "Company") adopted for the year 2007 in accordance with the Self-Governance Code approved in March 2006 by the Corporate Governance Committee of Listed Companies issued by Borsa Italiana S.p.A. (hereafter the "Code") and in line with best international and national practices.

Tables summarising the adoption or otherwise by the Company of some of the principal recommendations of the Code are attached to the present report.

The company by-laws were approved by the extraordinary Shareholders' Meeting on September 29, 2004 and are in compliance with the Company Law Reform pursuant to Legislative Decree No. 6/2003 as supplemented by Legislative Decree No. 37/2004 and also in compliance with Legislative Decree No. 385/1993 and Legislative Decree No. 58/1998 (Consolidated Finance Act). This was further updated on June 26, 2007, to comply with the provisions of Law No. 262 of December 28, 2005 (hereafter the "Savings Law"), and Law No. 303 of December 29, 2006 in accordance with the terms of the new regulation.

The current Corporate Governance structure was implemented through the progressive introduction of the conduct rules in line with the best principles on Corporate Governance.

This corporate policy was undertaken through:

- > the adoption of a Group Remuneration Plan in order to align the interests of the management with those of the shareholders and strengthen the objectives of managers and the company in terms of share value over time;
- > the adoption of an Ethics Code as a direct instrument to define and communicate the duties and responsibility of ERG with its stakeholders as well as an essential element of a management and organisation model in line with the provisions of Legislative Decree No. 231/2001;
- > the inclusion in the Board of Directors of independent directors;
- > the compliance with the first edition (2002) of the Self-Governance Code of Listed Companies;
- > the adoption of a Conduct Code for the Directors of the companies of the Group;
- > the definition of the Guidelines for the identification and undertaking of significant operations and other governance documents to guarantee a transparent and timely management of the relationship between the Group and the market;
- > the change of the Company By-Laws to amend them in accordance with the new regulations introduced by the Company Law Reform;
- > the compliance with the second edition (2006) of the Self-Governance Code of Listed Companies;

The consideration of a correct relationship between management and shareholders and a company management focused on the objective of the creation of value has always been a characteristic of the Company and the following policies were implemented:

- > through a coordinated attribution of powers within the Board of Directors in order to ensure, on the one hand, the clarity and completeness of the powers and managerial responsibility and, on the other, the monitoring of the activities undertaken and the valuation of the results achieved;
- > through a systematic and adequate disclosure to the Board on the activities undertaken in relation to the powers and managerial responsibilities;

> through the adoption of specific procedures for the determination of the remuneration for the Directors and management.

## Company Organisation

In line with the Italian legislation in relation to listed companies, the organisation of the Company also includes:

- 1) a Board of Directors appointed for the ordinary and extraordinary management;
- 2) a board of statutory auditors called to supervise: (i) observance of law and the by-laws (ii) respecting of the principles of correct administration and the adequacy of the internal control structure and the administration– accounting system of the Company;
- 3) an Internal Control Committee and a Nomination and Remuneration Committee which is requested, in addition to the duties already attributed to the Remuneration Committee: (i) to proposal to the Board of Directors, where requested, of the candidates for the office of director in the cases as per article 2386, first paragraph, of the civil code, where it is necessary to replace an independent director; (ii) to evaluate, on specific request of the shareholders that intend to present a slate, the independence of candidates for the office of director to be proposed to the shareholders' meeting of the Company; (iii) to provide to the Board of Directors, on an annual basis, an opinion in relation to the size, composition and functioning of the Board, and where necessary express its opinion on the professional figures whose presence it considers appropriate on the Board; (iv) to provide an opinion in relation to the maximum number of offices of director or statutory auditor in other listed companies on regulated markets, including abroad, in financial, banking, insurance or of companies of significant size which may be considered compatible with a diligent undertaking of the office of director of the Company;
- 4) a General Manager who is conferred the powers for the ordinary management of the Company;
- 5) the shareholders' meetings, competent to deliberate, among other matters, in ordinary and extraordinary session: (i) the appointment and revoking of the members of the Board of Directors and Board of Statutory Auditors (ii) the approval of the financial statements and appropriation of profits (iii) changes in the by-laws (iv) the purchase and sale of treasury shares.

The audit of the financial statements is undertaken by a specialised company appointed by the shareholders' meeting.

## Composition of the share capital

The share capital of the Company, amounting to Euro 94,876,941.00, consists exclusively of ordinary shares with a nominal value of Euro 1.00 each, fully paid with voting rights in the ordinary and extraordinary Shareholders' Meetings.

Based on the shareholders' register and information available, ERG SpA directly controls the Company through a total holding of 68.38% of the share capital.

The other shareholders with a holding above 2% of the share capital are:  
FIL Limited 4.965%

As already reported in the introduction, on October 16, 2006 the Company ERG S.p.A. acquired from the Agarini Group the majority of the share capital of Enertad SpA equal to 51.35%; on December 20, 2007, ERG S.p.A., following the “put” contract subscribed on October 16, 2006, acquired from Alerion Industries S.p.A. 16,159,920 Enertad shares, equal to 17.03%, bringing its holding to 68.38% of the share capital of Enertad S.p.A.

Effective as of December 20, 2007, the Shareholding Agreements on the Enertad shares, subscribed on October 16, 2006 between ERG S.p.A. and Alerion Industries S.p.A. are no longer valid.

## Subjection to other management and coordination

The Board of Directors' meeting of February 27, 2007 and November 9, 2007 took notice that ERG SpA, in virtue of the majority holding of the share capital held and the activities undertaken in favour of the Company is the party that exercises, pursuant to article 2497 of the Civil Code, the activities of management and coordination.

## Role of the Board of Directors

In accordance with article 17 of the Company By-Laws, the Board of Directors has the widest powers of ordinary and extraordinary management of the Company.

The Board of Directors of the Company, in accordance with Article I.C and subsequent of the Code and business practice:

- a) examines and approves the strategic, industrial and financial plans of the Issuer and of the Group which the Company heads, the corporate governance of the Issuer and the structure of the group;
- b) evaluates the adequacy of the organisational, administration and general accounting system of the Issuer and of its subsidiaries having strategic importance, which has been implemented by the executive directors with particular reference to the internal control system and to the management of a conflict of interests;
- c) assigns and revokes the delegation of powers to the executive directors and the executive committee, establishing the limits and manner of exercising such power and the frequency of reporting, normally not above three months, through which the appointed bodies must report to the directors on the activities performed in relation to the powers conferred;
- d) establishes, after examining the proposals of the relevant committee and after having consulted with the board of statutory auditors, the fee to be paid to executive directors and those who hold specific offices, as well as dividing the total fees to which the directors are entitled among the individual members of the board, if this has not already been decided by the shareholders' meeting;
- e) evaluates the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets;
- f) examines and approves the operations of the Issuer and its subsidiaries, when these operations have a significant strategic, economic, or financial importance for the Company, with particular attention to the situations in which one or more directors have an interest on their own behalf or on behalf of third parties and, in general, in the transactions with related parties; they establish general criteria to identify significant transactions;
- g) undertakes, at least once a year, a valuation on the size, on the composition and on the functioning of the Board and on the committees, expressing opinions on the appointment of professional persons to the board;
- h) provides information, in the corporate governance report, on the application and, in particular, on the number of meetings of the Board and of the Executive Committee, where present, which were held during the year and on the relative percentage of participation of each director.

The board, on the basis of the information received from the directors, annually reports in the Corporate Governance report the offices held by directors or statutory auditors in these companies.

The Board expresses its opinion on the maximum number of offices to be held by a director or statutory auditor as per the previous paragraph, which can be considered compatible with an efficient undertaking of the office of director of the Company.

General criteria are set out based on the commitment related to each role (executive director; non executive or independent), also in relation to the nature and to the size of the companies as well as whether belonging to the group of the issuer;



The Shareholders' Meeting on December 15, 2006 authorised general or specific competitor agreements as per article 2390 of the civil code.

The Executive Directors must inform in a timely manner the members of the Board of Directors on the principal new legislation and regulations regarding the Company, its subsidiaries and associated companies and the corporate boards.

Normally, the Board of Directors of the Company meets at least four times a year; in these meetings, they examine and deliberate in relation to the performance in the various sectors, the quarterly, half year and annual results, the strategic plan, the budget, the proposals relating to the organisational structure and those relating to significant operations presented by the Executive Directors. During 2007, the Board met 9 times, and since January 1, 2008 up to the date of the present report, the Board met 3 times.

## Composition of the Board of Directors

In accordance with article 16 of the By-Laws, the Company is administered by a Board of Directors, composed of between five and eleven members, who remain in office for three years until the date for the convocation of the shareholders' meeting for the approval of the annual accounts for the final year. The directors may be re-elected.

In accordance with the company by-laws, the members of the Board will be appointed on the basis of slates presented by the shareholders which, alone or together with other shareholders, represent at least 2.5% of the share capital as established by the Regulations issued by Consob No. 16319/08.

The Board is currently composed of nine directors, of which three executive and six non-executive, three of which are independent. Their mandate will expire with the approval of the accounts for the year 2008.

The directors in office at the date of the approval of the present "Report" are:

1. Giuseppe Gatti, Chairman of the Board of Directors (executive with powers for supervision, direction and control of the Institutional and International Relations, Corporate Affairs and Audit) appointed by the shareholders' meeting of December 16, 2006;
2. Salvatore Russo, Vice Chairman and Chief Executive Officer (executive with ordinary and extraordinary administration powers) appointed by the shareholders' meeting of December 16, 2006 (he resigned from the office of Chief Executive Officer on March 14, 2008);
3. Paolo Panella, Vice Chairman and Chief Executive Officer (executive with ordinary and extraordinary administration powers) appointed by the shareholders' meeting of December 16, 2006 (he resigned from the office of Chief Executive Officer on March 14, 2008);
4. Giancarlo Cimoli, Director (non-executive independent), appointed by the shareholders' meeting of December 16, 2006;
5. Alessandro Garrone, Director (non-executive), appointed by the shareholders' meeting of December 16, 2006;
6. Pietro Giordano, Director (non-executive), appointed by the shareholders' meeting of December 16, 2006;
7. Giorgio Mazzanti, Director (non-executive independent), co-opted by the Board of Directors on January 22, 2008;
8. Ernesto Monti, Director (non-executive independent), appointed by the shareholders' meeting of December 16, 2006;
9. Raffaele Tognacca, Director (non-executive), co-opted by the Board of Directors on September 21, 2007 (Executive Director – Chief Executive Officer from March 14, 2008).

The non-executive Director Gastone Colleoni, appointed by the shareholders' meeting of December 16, 2006 resigned on March 14, 2007;

The non-executive Director Massimo Pezzolo, appointed by the shareholders' meeting of December 16, 2006 resigned on September 21, 2007;

The non-executive Director Giulio Antonello, appointed by the shareholders' meeting of April 26, 2007 resigned on December 28, 2007;

On March 14, 2008, as reported in the introduction, the Board of Directors considered it appropriate to undertake some changes to the organisational structure in order to implement an integrated management of the activities in the sector in which the Company operates. As part of this process, the Directors Mr. Salvatore Russo and Mr. Paolo Panella resigned as chief executive officers and also therefore the related powers conferred to them. The Board of Directors appointed Mr. Raffaele Tognacca as CEO of Enertad SpA.

The Board reviews annually the offices of director or statutory auditor held by the Directors in other listed companies on regulated markets, also abroad, in financial, banking and insurance companies or other companies of significant size.

In relation to the composition of the Board of Directors and to the offices and powers attributed, it was not considered necessary to designate a lead independent director.

The principal offices covered by each member of the Board of Directors are listed below:

<b>Giuseppe Gatti</b>	ERG SpA – Director ACTELIOS SpA - Director Iride Mercato SpA – Chairman Grandi Reti SpA – Chairman
<b>Giancarlo Cimoli</b>	ENIA SpA - Director
<b>Alessandro Garrone</b>	ERG SpA – Chief Executive Officer YARPA Investimenti SGR SpA – Director Mutuonline SpA – Director Banca Passadore & C. SpA - Director
<b>Pietro Giordano</b>	ERG SpA - Vice Chairman
<b>Ernesto Monti</b>	Astaldi SpA – Chairman Finanziaria Tosinvest SpA – Chairman Capitalia SpA - Director

## Chairman of the Board of Directors

In accordance with article 19 of the company by-laws, the Board of Directors meet, in the offices of the Company or elsewhere, whenever the Chairman or in case of impediment, the Vice Chairman, considers it necessary or when a written demand is made by at least three members.

The Board is convened by the Chairman by letter sent at least three working days before the meeting to each Director and Standing Auditor and, in the case of urgency, by telegram or fax at least two days before the meeting; the Board is in any case validly constituted, even when there is no formal convocation, when all the Directors and Standing Auditors in office are present.

The resolutions are passed with the majority of votes present and this is recorded in minutes of the meeting and signed by the Chairman and Secretary of the meeting.

The holding of the meetings of the Board of Directors by videoconference and/or audioconference is permitted on condition that all of the participants can be identified and that they can follow the discussions and intervene in real time in relation to the subject matters under discussion. Having verified these requisites, the Board is considered to be held in the location of the Chairman and Secretary, thus permitting the drafting and signing of the minutes.

The Chairman, the Vice Chairman, the Chief Executive Officers and the General Managers (where appointed) are the legal representatives of the Company.

The Chairman endeavours to ensure that Board members are provided with the necessary documentation and information to permit the Board itself to knowledgeably discuss the material submitted for its examination and approval within a reasonable time before the date of the meeting (without prejudice to cases of necessity and urgency).

The Chairman coordinates the activities of the Board of Directors and directs the meetings of the board.

## Information on the Board of Directors

The Executive Directors report (at least quarterly) to the Board of Directors and at the same time to the Board of Statutory Auditors, on the activities undertaken based on the powers delegated to them.

In addition, they provide adequate information on atypical and unusual operations, on operations in potential conflict of interest and/or with related parties, as defined in the procedure adopted in the Board meeting of January 27, 2008 and established in the CONSOB documentation relating to the identification of related parties.

## Independent directors

The New Self-Governance Code provides that "independent directors" are persons that are not within the following categories (not to be considered as exhaustive):

- a) if, directly or indirectly, including through subsidiaries, trusts or interposed persons, they control the issuer or are capable of exercising significant influence, or participate in a shareholder agreement through which one or more parties can exercise control or significant influence on the issuer.
- b) if they are, or were in the previous three years, a relevant member of the issuer – either a chairman of a body, the legal representative, the chairman of the board of directors, the executive director or a senior manager with strategic responsibility of the body or the company considered - or of one of its subsidiaries with strategic importance or of a company subject to common control with the issuer, or of a company or of a body that, even together with others through a shareholder agreement, controls the issuer or is able to exercise significant influence on the issuer;
- c) if, directly or indirectly, they have, or had in the past year, a significant commercial, financial or professional relationship:
  - with the issuer, a subsidiary, or with some relevant members;
  - with a party that, also together with others through a shareholder agreement, controls the issuer, or – in relation to companies or bodies - with the relevant members; or with, or in the previous three years, employees of one the afore-mentioned parties;
- d) if they receive or have received in the previous three years, from the issuer or a subsidiary or parent company a significant additional remuneration other than the "fixed" fee of non-executive director of the issuer, including incentive participation plans relating to the performance of the company, including share-based payments;
- e) if they were a director of the issuer for more than nine years of the past twelve years;
- f) if they are an executive director in another company in which an executive director of the issuer is a director;
- g) if they are a shareholder or director of a company or of an entity belonging to the network of the auditors of the issuer;

h) if they have a close family member in a situation described in the previous points.

The Board of Directors therefore evaluated that, in light of the above-mentioned definitions, recommended by the Corporate Governance Committee of listed companies contained in the Code of March 2006, and in virtue of the professional qualifications and personal characteristics, the three non executive directors of the Company, Giancarlo Cimoli, Giorgio Mazzanti and Prof. Ernesto Monti are "independent directors".

## Treatment of reserved information

The normal management of the confidential information, with particular reference to the "price sensitive" information is assured by the Chief Executive Officer, Raffaele Tognacca, who received from the Board specific powers to regulate the communication of documents and information relating to the Company to the public.

The procedure, approved by the Board of Directors, provides that the above-mentioned Chief Executive Officer assumes the function of person responsible for the management of confidential information and external communication of the so-called Relevant Information. The Chief Executive Officer proposed, and the Board of Directors approved, with a resolution of March 25, 2002, the internal Regulation for the management of the confidential information.

The Board of Directors' meeting of March 21, 2007 approved the "Procedure for the management and treatment of confidential information and for the diffusion of press releases and information to the public" already in force in the Group Erg.

In particular, the central points of the above-mentioned Regulations are:

- > the management of the confidential information, with a listing of the obligations of the directors, but also of senior management of the Company, in the treatment of confidential information, illustrating (i) the prohibition to communicate to third parties, and (ii) the duties and procedures for the transmission of documents (with specific rules and procedures: fax, e-mail, registered letter) and (iii) the treatment of confidential information obtained by third parties. In addition, there is the obligation for the Person Responsible to request consultants, auditors and other advisors (non employees) which the Company utilises to sign confidentiality commitments relating to the confidential information concerning the Company which they will obtain during their engagements. Finally, the relations with the Investor Relator govern:
- > the regulations of the Relevant Information and their identification and treatment, including the manner for the publication to the market, with particular reference to "price sensitive" information, for which there is a duty of the Person Responsible to evaluate, case by case, the appropriateness of an act or of a fact to significantly influence the price of the listed financial instruments and, therefore, to determine the necessity or otherwise of its publication;
- > the press release in which the Person Responsible must publish the Relevant Information, the regulation of its contents and the internal approval procedure of the press release;
- > the compliance of the Person Responsible with reference to the publication of the press release.

All the directors however undertake not to disclose and to manage with care the documents and information acquired in the carrying out of their duties, as well as to respect the procedures adopted.

In relation to the activities undertaken by the Company in accordance with Legislative Decree No. 231/2001, relating to the "Provisions for administrative responsibility of legal persons, of companies and of associations also without legal entity, pursuant to article 11 of law No. 300 of September 29, 2002" and to the new provisions on market abuse (article 9 of Law No. 62 of April 18, 2005), it is recalled that as already announced in the Shareholders' Meeting of April 28:

- > The Board of Directors of the Company on April 10, 2006 approved the "Organisational and Control Model" of the Company in order to create structured procedures and preventive control measures with the objective of the prevention of the offences as per Legislative Decree No. 231/2001, through the identification of specific activities exposed to the risk of offence and consequential procedures against this. In the same meeting, the Board also appointed the Supervision Board.

The Model adopted by the Company is in line with the guidelines undertaken by the relevant associations and provides the shareholders with strong guarantees on an efficient and correct management.

- > Finally, with reference to the new provisions on market abuse, it is recalled that article 9 of Law No. 62 of April 18, 2005, which enacted the provisions of EU directive 6/2003, also introduced the obligation for listed companies and parties in control relationships with them (holding companies and subsidiaries), to set up, maintain and regularly update a register of the persons that, based on their employment and professional activities, or on the functions undertaken, have access to the confidential information relating to the listed issuer or its subsidiaries (hereafter the "Register").

In accordance with this regulation, all of the necessary activities were undertaken for the setting up and creation of the Register. In particular, software was set up for the management of the Register.

The Company adopted a new "Internal Dealing" Code for the disclosure obligations and any limitations on shares issued by the Company or other related financial instruments, made by relevant persons and by persons closely related, in accordance with current regulations (in particular Legislative Decree No. 58 of February 24, 1998 - "Consolidated Finance Act" - as enacted by Law No. 262 of December 28, 2005; the enacting Regulation of the Consolidated Finance Act, concerning the governance of the issuers - "Issuers' Regulations" - adopted by Consob resolution No. 11971 of May 14, 1999 and supplemented with resolution November 29, 2005 - as well as the relative Consob resolutions).

Finally it is reported that, as already reported in point 2, the Board of Directors' resolution of March 14, 2008 conferred to the Chief Executive Officer Mr. Raffaele Tognacca, all the powers on the decisions in relation to the treatment of personal data, including the profile of the security and was identified as the Executive Responsible pursuant to article 28 of Legislative Decree 196/2003. In compliance with the regulations, the Chief Executive Officer nominated a Person Responsible for the treatment pursuant to article 29 of Legislative Decree 196/2003. Both these Parties will have the powers to identify and/or confirm the appointments for the treatment as per article 30 of Legislative Decree 196/2003.

## Appointment of Directors

The by-laws provide that the Board of Directors is appointed on the basis of slates presented by the Shareholders in which the candidates are elected by means of progressive number. The slates presented by shareholders, with the personal and professional characteristics of the candidates, must be filed at the registered office of the company at least 15 days before the shareholders' meeting in first convocation and this will be notified in the convocation notice.

Shareholders may present slates where alone or together with other shareholders they represent at least 2.5% of the share capital, as established by Consob Regulation No. 16319/08, or in any case, the shareholding required by law at the date of the presentation of the slates and which will be indicated in the notice convocation of the Shareholders' Meeting called to elect the Board of Directors. In order to confirm the title of the shares necessary for the presentation of slates, the shareholders must present and/or deliver to the registered office of the Company, with the presentation of the slate, a copy of the certificate issued by the respective intermediaries in accordance with law and the regulations.

Each shareholder shall present or participate in presenting only one slate and each candidate shall be presented on only one slate or is otherwise ineligible.

Each slate must contain a number of candidates not above the maximum number of the directors contained in the first paragraph of the present article.

The slates indicate which of the Directors are independent pursuant to the provisions established by law. At least one candidate for each slate, or two candidates in the case of a board with more than seven members, must be independent directors.

All the candidates must hold the requisites of honourability established by the current regulations, as well as the requisites of professionalism required for the office to be held.

Together with each slate, within the period indicated, each candidate must declare that they accept their candidacies and certify, under their own responsibility, the inexistence of any cause of ineligibility or incompatibility, as well as the satisfaction of the requirements prescribed by applicable regulations and by the Self-Governance Code adopted by the Company and any qualifications of independence.

Shareholders related in any manner, in accordance with applicable legislation, may only present one slate.

For the slates presented by the minority shareholders within the terms prescribed above, a declaration must be made of the absence of any relationship with the majority slate before the date of the Shareholders' Meeting.

For the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of the slate.

All those entitled to vote shall vote for only one slate.

The procedure for electing the Directors shall be as follows:

- a) from the slate that obtains the majority of the votes are elected, in the progressive order included in the slate, the number of directors to be elected to the board less one, except as in accordance with paragraph 5 for the appointment of the independent Directors;
- b) the remaining director will be taken from the minority slate that obtains the largest number of votes;
- c) in the case of the presentation of only one slate, or, where there is no quorum by the other slates, the Directors will be elected by the slate presented or that has reached the quorum up to the candidates presented.

At least one member of the Board of Directors will be taken from the minority slate that obtains the largest number of votes.

In any case, the candidate or, in the case of boards with more than seven members, at least two candidates, will be elected, that are independent and belonging to the slate that has obtained the largest number of votes.

The Independent Directors who after their appointment are no longer independent in accordance with law, must immediately communicate this to the Board of Directors and, in every case, relinquish office.

The directors are appointed for a period of three years which expires on the date of the shareholders' meeting called for the approval of the financial statements relating to the final year in office.

Board members shall be eligible for re-election.

In the case of the resignation of one or more directors, they will be replaced in accordance with the provisions of law. Where, however, for whatever reason, before the expiry of the mandate, the majority of the directors appointed by the Shareholders' Meeting is no longer in office, the entire Board must resign and the Shareholders' Meeting must be convened urgently by the remaining directors in office for the reconstitution of the Board. The Board remains in office only for the undertaking of acts of ordinary administration until the Shareholders' Meeting appoints a new Board and the majority of the new Directors have accepted the appointment.

In accordance with article 16 of the Company By-Laws, the shareholders' meeting appoints the directors and determines from time to time the number of members and duration of office.

## Nomination and Remuneration Committee

On January 22, 2008, the Board of Directors, with the favourable vote expressed by the Board of Statutory Auditors decided:

1. to change the name of the Remuneration Committee to the Nomination and Remuneration Committee;
2. to attribute to the Nomination and Remuneration Committee, in addition to the duties already attributed to the Remuneration Committee, the following further duties:
  - to propose to the Board of Directors, or on their request, the candidates for the board in the cases provided by article 2386, first paragraph of the civil code, where it is necessary to replace an independent director; evaluate, on the specific request of shareholders who intend to present slates, the independence of candidates to the office of director to be put before the shareholders' meeting of the Company;
  - provide to the Board of Directors annually a valuation on the size, the composition and the functioning of the Board, expressing opinions on the appointment of professional persons to the board;
  - expresses its opinion on the maximum number of offices of director or statutory auditor in other companies on regulated markets, also foreign, in financial, banking and insurance companies and companies of a significant size which can be considered compatible with a current undertaking of the office of director of the Company.

For information purposes it is reported the resolution passed on December 15, 2006:

*"The Board of Directors, in compliance with article 7 of the New Code, has constituted the Remuneration Committee of the directors and*

for any stock option plans and assignment of shares, which has the duties of:

- > presenting proposals for the remuneration of the executive directors and directors holding particular offices to the Board and monitoring the application of the decisions made by the Board;
- > periodically evaluating the criteria adopted for the remuneration of the executives with strategic responsibilities, supervising their application on the basis of the information provided by the executive directors and formulates general recommendations on the matter to the Board.

The Nomination and Remuneration Committee in the exercise of its duties may avail, at the expense of the Company, of external consultants.

The Nomination and Remuneration Committee is currently composed of the following directors:

- > Ernesto Monti (Chairman)                      independent/non-executive;
- > Giancarlo Cimoli                                      independent/non-executive;
- > Giorgio Mazzanti                                      independent/non-executive.

On December 15, 2006, with the attribution of 765,300 assignment rights the three-year stock option plan was concluded, approved by the extraordinary Shareholders' Meeting on December 23, 2004.

The meeting of December 15, 2006 also resolved to propose to the Board of Directors (which in the same meeting received the favourable opinion of the Board of Statutory Auditors) the attribution, in accordance with article 2389, third paragraph of the Civil Code, of a remuneration of the Chairman of the Board of Directors, of the Vice Chairman and of the Chief Executive Officer and Executive Directors.

The Board of Directors attributed to the Nomination and Remuneration Committee the duty to provide, at least on an annual basis, an opinion on the size, composition and functioning of the Board.

The Nomination and Remuneration Committee already undertook the evaluation process of the performance of Board for the year 2007 through the definition of the procedures and criterion to undertake the valuation.

## Internal Control

The internal control system is the entire system of processes that monitors the efficiency of company operations, reliability of financial information, compliance with legislation and regulations and the protection of the company's assets.

The Board of Directors is responsible for the internal control system for which it determines, from time to time, the adequacy and the effective functioning of the system, ensuring that the principal company risks are promptly identified and adequately managed.

The Board of Directors provides its opinion on the adequacy of the internal control system to permit the effective control of the normal risks relating to the principal activities performed by the Company and its subsidiaries and the monitoring of the economic and financial position of the company and the Group.

The Chief Executive Officer, Raffaele Tognacca, executive director appointed to overview the functioning of the internal control system, identifies the principal company risks, presenting them for the examination of the Board of Directors, and implementing the Board's policies through the design, management and monitoring of the internal control system, nominating one or more managers and providing them with appropriate means to undertake their duties.

The person responsible for internal control, Carlo Alfredo De Vita, does not hierarchically report to any person responsible by operating area and reports directly to the Chief Executive Officer and the Board of Statutory Auditors.

An internal audit function was set up reporting directly to the Chairman of the Board of Directors, and the current person responsible is Mr. Carlo Alfredo De Vita.

## The Organisation and Management Model

The Board of Directors adopted, with resolution of August 1, 2007, the Control and Organisational Model as per Legislative Decree 231/2001.

The Model was periodically updated to adjust to the regulatory changes implemented.

### External audit firm

The appointment of the auditor was confirmed by the Shareholders' Meeting of April 28, 2006 to Deloitte & Touche SpA for the years 2006-2011.

### Executive responsible for the preparation of the corporate accounting documents

The executive responsible for the preparation of the corporate accounting documents was attributed by the Board of Directors to the Chief Financial Officer Luca Giorgerini.

### Internal control committee

On December 15, 2006, the Board of Directors set out for the duties for the Internal Control Committee. More specifically, the Committee has the duties to:

- a) evaluate, together with the person responsible for the preparation of the corporate accounting documents (where appointed) and the auditing firm, the correct utilisation of the accounting principles applied and their uniformity in the preparation of the consolidated financial statements;
- b) indicate, on the request of the executive responsible, its opinions on specific aspects inherent in the identification of the main corporate risks as well as the design, implementation and management of the internal control system;
- c) examine the work plan prepared by those in charge of internal control and the periodic reports;
- d) evaluate the proposals formulated by the independent audit firm in order to be appointed as auditors as well as the audit work plan and the results expressed in the report and letter of recommendations;
- e) supervise on the efficiency of the auditing processes;
- f) carry out duties given to it by the Board of Directors;
- g) at least every six months, on the approval of the annual and half-yearly accounts, the Board shall be informed on the work carried out and the adequacy of the internal control system.

The meetings of the Committee are attended by the Chairman of the Board of Statutory Auditors or another Standing Auditor delegated by him, the Manager of the Internal Audit function, and, on invitation of the Chairman of the Committee, the executive directors, the audit firm, the administration manager and any other parties nominated.

The Internal Control Committee is currently composed of the following directors:

- > Giancarlo Cimoli, Chairman                      independent/non-executive;
- > Giorgio Mazzanti                                  independent/non-executive;
- > Ernesto Monti                                      independent/non-executive.



## Supervisory Board

The Board of Directors meeting of December 15, 2006 modified the structure of the Supervisory Board, through the creation of a board composed of five members - Paolo Francesco Lanzoni, as Chairman, Luigi Bricocoli, Renzo Fossati, Danilo Lodola and Claudio Pirani.

The Supervision Board, which maintains a direct and continuous report with the Internal Control Committee, undertakes its activities within the Parent Company, while, in relation to the sub-holding, a person was appointed for each company.

## Transactions with related parties

On January 22, 2008, The Board of Directors of EnerTAD S.p.A. approved the new "Principles for the undertaking of significant operations and with related parties".

Specifically, the Committee

1. gave prior approval of the operations with related parties of EnerTAD S.p.A. by the Company and by the operating sub-holdings, including the inter-group operations, except the operations whose value is equal to or lower than Euro 0.3 million, being typical or normal and concluded at standard conditions.
2. Related parties are those as identified in IAS 24.
3. Inter-group operations are those undertaken by the Company or by the subsidiaries with:
  - a) companies that directly or indirectly, or by means of a trust company or third parties, are subsidiary or associated companies of the parent company ERG S.p.A. pursuant to Article 2359 of the Civil Code and Article 93 of the Consolidated Finance Act;
  - b) companies that directly or indirectly, or by means of a trust company or third parties, are subsidiaries of EnerTAD S.p.A. pursuant to Article 2359, first and second paragraphs, of the Civil Code and Article 93 of the Consolidated Finance Act;
  - c) associated companies of EnerTAD S.p.A. pursuant to art. 2359, paragraph 3 of the Civil Code.
4. Typical or normal operations are those defined by the "Guidelines for the identification and the undertaking of significant operations" and those whose nature and purpose are within the normal activities of both the companies involved and there are no critical aspects in relation to the characteristics or timing of the operation.
5. They are operations to be concluded at standard conditions, based on the "Guidelines"; the operations whose economic conditions are at market values or in any case constitute conditions applied at arm's length.
6. The Chief Executive Officer, in the case in which he advises of a future operation with a related party, provides to the Internal Control Committee adequate information on the nature of the related parties, on the method of execution of the transaction, on the conditions including economic, on its completion, on the valuation method applied, on the underlying interests and on any risk existing for the Company.
7. The Internal Control Committee expresses its opinion on the operation and evaluates its nature, the value or other characteristics of the operation and also requests the opinion of one or more independent experts in relation to the economic conditions and to the correctness, formal and substantial, of the operation. In this case, the Internal Control Committee also chooses the expert or experts, to be appointed among recognised professional and competent parties that will carefully evaluate the independence and the absence of conflict of interest.
8. The Board of Directors, in order to carry out the operation, receives from the Chief Executive Officer adequate information on the nature of the related parties, on the method of execution of the transaction, on the conditions including economic, on its completion, on the valuation method applied, on the underlying interests and on any risk existing for the Company, as well as the opinion of the Internal Control Committee, if given by it or independent experts.

Where the related party transaction relates to one Director, or with a related party through a Director, the Director concerned, in accordance with article 2391, paragraph 1, of the Civil Code, provides information on the circumstances and provides clarification where requested, abstaining from the board meeting on the resolution, except where the Chairman requests him to remain in order that he may participate at the voting.

The transactions with related parties, including inter-group operations, that are not subject to the examination and approval of the Board of Directors in that they are equal or lower than Euro 0.3 million, typical or normal or to be concluded at standard conditions, must in any case be reported to the board meeting of the Parent Company. The Chief Executive Officers of the Parent Company and of the sub-holdings receive, for each operation, adequate information on the nature of the related party, on the method of execution of the transaction, on the conditions, including economic, for its realisation, on evaluation procedures followed, on the interests and on the underlying reasons and on any risks for the Company. For such transactions also, one or more experts may be appointed as provided above.

In the related-party transactions, the directors with an interest, even potential or indirect, in the transaction:

- a) disclose in a timely and complete manner to the Board of the existence of the interest and circumstances;
- b) will abstain from the board meeting at the moment of the resolution.

All the transactions with related parties of any amount are the exclusive competence of the Board of Directors.

## Relations with institutional investors and other shareholders

The Company has always actively tried to establish a dialogue with its shareholders and institutional investors based on an understanding of the reciprocal roles.

The Board of Directors illustrated that, with reference to article 12 of the Code, considering the importance of relations with third parties, and in particular with the institutional investors and with minority shareholders, it was appropriate to appoint a person responsible for relations with institutional investors and with other shareholders (investor relations manager), in order to guarantee the correctness and transparency that constitutes an important element in the appreciation by the institutional investors and a "trust" with the other shareholders, in respect of however the procedures for the treatment of confidential information approved.

On March 21, 2007, Michele Massimo Galipò was appointed and Danilo Lodola confirmed, based on the technical knowledge and experience, as representatives of the Company for the respective roles with institutional investors and with the other shareholders.

Following the resignation of Michele Massimo Galipò, effective as of January 1, 2008, on March 14, 2008 the Board of Directors appointed Emanuela Delucchi as replacement.

For information, contact should be made with the e-mail address: [investorrelations@enertad.it](mailto:investorrelations@enertad.it)

## Shareholders' Meetings

It is the Company's consistent policy to provide the shareholders with information about the Company and its outlook at the shareholders' meeting; this, obviously, is within the rules governing "price sensitive" information and therefore, where necessary, the market is informed in a timely manner of such information.

At the shareholders' meeting, all of the directors and statutory auditors attend.

In relation to the functioning of the shareholders' meeting, the Board of Directors did not prepare a shareholders' meeting regulation to be presented to the shareholders for approval, as they did not consider that there were the conditions for its adoption; in fact, the shareholders' meetings up to the present moment have always ensured an efficient and correct undertaking of the meetings without the necessity for specific regulations.

The Shareholders' Meeting may also be convened outside of the registered office, provided in Europe, in the terms and procedures fixed by current regulations. The Chairman of the Shareholders' Meeting shall verify the right to attend – also for the proxies. Shareholder Meetings shall be chaired by the Chairman of the Board of Directors or, in his/her place, the Vice Chairman. The decisions of the shareholders' meeting must be recorded in minutes in accordance with article 2375 of the Civil Code, signed by the Chairman and the Secretary or by a Notary.

The ordinary Shareholders' Meeting is validly constituted in first convocation when at least half of the ordinary shares outstanding are represented and in second convocation whatever the number of ordinary shares are represented. The ordinary Shareholders' Meeting passes resolutions by statutory majority, not taking account to the abstentions from voting.

The extraordinary Shareholders' Meeting is regularly constituted and passes resolutions with the presence and voting of the statutory majority.

The Shareholders' Meeting resolutions are voted in accordance with the procedures established by current regulations. Voting by post is not permitted. The appointment of the corporate offices is made by statutory majority.

## Statutory Auditors

Pursuant to article 23 of the Company By-Laws the proposals to the shareholders' meeting for the appointment of the statutory auditors must accompany exhaustive information on the personal and professional characteristics of the candidate and must be filed at the registered office of the company at least 10 days before the date of the shareholders' meeting in first convocation together with the slates.

The statutory auditors act with autonomy and independence also in relation to the shareholders who elected them.

The statutory auditors maintain maximum confidentiality with respect to the documents and information acquired in the performance of their duties and conform to the procedure adopted for the public disclosure of these documents and information.

Pursuant to article 23 of the company by-laws, the statutory auditors are appointed with the system of voting by slates, in order to guarantee the appointment of a standing member by the minority (except where only one slate is presented), in accordance with current regulations.

The statutory auditors in office at December 31, 2006, appointed by the Shareholders' Meeting of April 29, 2005, for the three years, 2005, 2006 and 2007 and until the approval of the 2007 annual accounts, are:

1. Marco de Ruvo, Chairman
2. Alessandro della Fontana, Statutory Auditor
3. Carlo Tavormina, Statutory Auditor
4. Myrta De'Mozzi, Alternate Auditor
5. Gioacchino Messina, Alternate Auditor

The principal offices held by each member of the Board of Statutory Auditors in other companies are as follows:

**Carlo Tavormina** Nem Due SGR SpA – Statutory Auditor  
Omnia Sim SpA – Chairman of the Board of Statutory Auditors  
RDM Realty SpA – Chairman of the Board of Statutory Auditors  
Ream SGR SpA – Chairman of the Board of Statutory Auditors  
Reno De Medici SpA – Statutory Auditor

In accordance with current regulations, and in particular the Justice Ministry Regulation No. 162 of March 30, 2000 as well as Consob communication No. 101/1407 of February 15, 2001, the Company specified in the by-laws the sectors and the matters strictly relating to the activities of the enterprise.

Milan, March 14, 2008

The Board of Directors  
Enertad SpA

### Notes:

The Board of Directors of the Company, having taken notice of the "Guidelines for the preparation of the Corporate Governance annual report" issued by Borsa Italiana SpA, reports that, in relation to the articles currently not contained in the "Self-Governance Code" adopted by Enertad SpA and listed below, a more careful evaluation and possible adoption of these will be considered at a later stage.

#### **Shareholders' Meetings**

The Board of Directors did not consider it necessary to undertake the measures contained at point 13, paragraph 3 of the Code.

Table I: structure of BoD and Committees

Board of directors (in bold the directors currently in office are shown)							Internal Control Committee ●	Remuneration Committee ■	Date of resignation or termination of office	Date of appoint- ment	
Office	Members	Executive	Non- executive	Independent	***	Number of other offices	**	***	**	***	
Chairman	<b>Giuseppe Gatti</b>	X			100	3					December 15, 2006
Vice Chairman and CEO Delegato	<b>Russo Salvatore</b>	X			100						December 15, 2006
CEO	<b>Panella Paolo</b>	X			100						December 15, 2006
Director	<b>Monti Ernesto</b>		X	X	100	3	X	100	X	100	December 15, 2006
Director	<b>Cimoli Giancarlo</b>		X	X	89	1	X	100	X	100	December 15, 2006
Director	Colleoni Gastone		X		78	3					March 14, 2007 December 15, 2006
Director	Antonello Giulio		X		100	1					December 28, 2007 April 26, 2007
<b>Director</b>	<b>Giorgio Mazzanti (a)</b>		X	X			X		X		April 22, 2008 January 22, 2008
Director	<b>Alessandro Garrone</b>		X		88	3			X	100	December 15, 2006
Director	<b>Pietro Giordano</b>		X		66		X	60			December 15, 2006
Director	Massimo Pezzolo		X		100						December 15, 2006
<b>Director</b>	<b>Raffaele Tognacca (a)</b>		X		100						April 22, 2008 September 21, 2007

● Summary of the reasons for any absence from the Committee or other office with respect to the recommendations of the Code:  
■ Summary of the reasons for any absence from the Committee or other office with respect to the recommendations of the Code:  
▲ Summary of the reasons for any absence from the Committee or other office with respect to the recommendations of the Code: Currently not constituted;  
a more detailed evaluation and possible adoption is reserved for a later stage.

Number of meetings held in the year	BoD: 9	Internal Control Committee: 5	Remuneration Committee: 1	Nomination Committee:	Executive Committee:
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NOTE

\* Indicates that the director was elected from a slate presented by minority shareholders.

\*\* This column indicates the number of offices a director or statutory auditor holds in other companies listed on regulated markets, including foreign markets, in holding, banking, insurance or large enterprises.

\*\*\* The "X" in one of these columns indicates membership of the relevant Board Committee.

\*\*\* This column indicates the percentage of participation of the directors compared to the number of BoD and Committee meetings.

(a) the directors Mazzanti and Tognacca were co-opted by the Board of Directors respectively on January 22, 2008 and September 21, 2007 and the term will expire, pursuant to article 2386 of the Civil Code, with the next shareholders' meeting on April 22, 2008.

Table 2: Board of Statutory Auditors

in office since the approval of the 2006 accounts

Office	Members	Percentage of participation at Board meetings	Number of other offices held **
Chairman	De Ruvo Marco	100	-
Statutory Auditor	della Fontana Alessandro	100	-
Statutory Auditor	Carlo Tavormina	88	1
Alternate Auditor	Messina Gioacchino	-	-
Alternate Auditor	Myrta De'Mozzi	-	-
<b>Number of meetings held in the year: - 9</b>			
Indicate the quorum required for the presentation of slates by minority shareholders for the election of one standing member (ex art. 148 CFA): 2%			

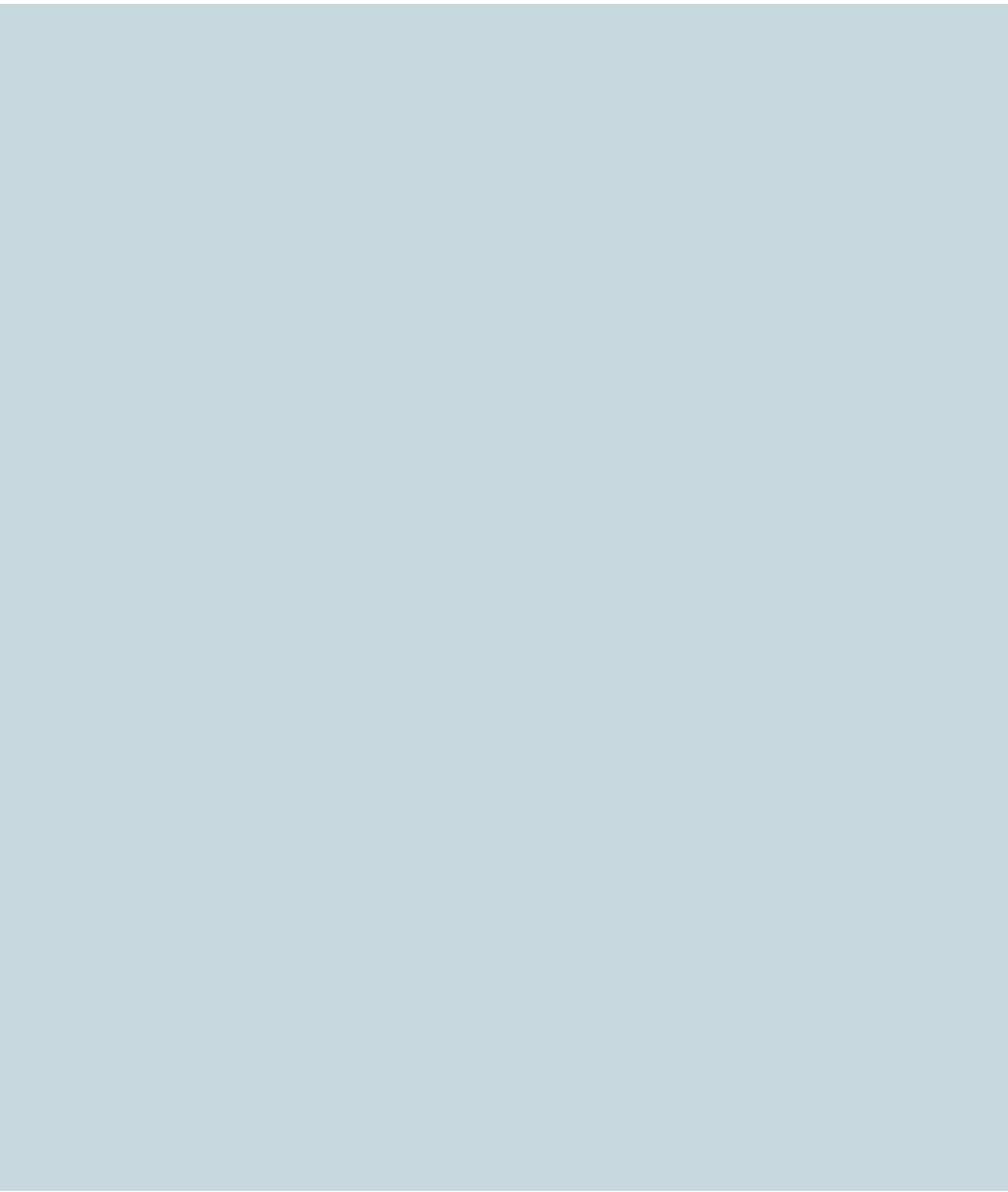
NOTES

\* Indicates that the statutory auditor was elected from a slate presented by minority shareholders

\*\* This column indicates the number of offices of director or statutory auditor held in other companies listed on Italian regulated markets

Table 3: other requirements of the governance code

	YES	NO	Summary of the reasons for any differences from the recommendations of the Code
<b>Powers delegated and transactions with related parties</b>			
The BoD has attributed powers defining:			
a) limits	X		
b) functioning	X		
c) and periodical information?	X		
The BoD reviews and approves the transactions of an important economic and financial nature (including transactions with related parties?)	X		
The BoD has defined guidelines and criteria for the identification of "significant" operations?	X		
The BoD has defined specific procedures for the review and approval of operations with related persons?	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 the appointments for Director filed at least 10 days in advance?	X		
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		
Were the appointments for statutory auditor filed at least 10 days in advance?	X		
The candidature for statutory auditor is accompanied by full and complete information?	X		
<b>Shareholders' Meetings</b>			
Has the Company approved Shareholders' Meeting Regulations?		X	Currently the Company did not consider it appropriate to adopt them
Are the regulations attached to the report (or is it stated where they can be obtained/downloaded)?		X	
<b>Internal Control</b>			
Has the company appointed persons responsible for internal control?	X		
Are they hierarchically independent from Business Area managers?	X		
Organisational Department responsible for internal control			Internal Audit – Claudio Pirani - Via De Marini I Genoa, tel. 0102401665, e-mail claudio.pirani@enertad.it
<b>Investor relations</b>			
Has the Company appointed an investor relations manager?	X		
Dept. (address/telephone/fax/e-mail) and person responsible			Director of Corporate Affairs – Danilo Lodola – Via De Marini I Genoa, tel 0102401898, fax 0102401652, e-mail danilo.lodola@enertad.it I.R. Emanuela Delucchi - Via De Marini I Genova, tel. 0102401806, fax 0102401659, e-mail edelucchi@erg.it







For the 2007 Annual Report, Fedrigoni Free life satin paper was used which holds the FSC certificate: an ecologically guaranteed product, of permanent duration and biodegradable, with the use of ECF and TCF virgin fibrosis raw materials from renewable plantation and similarly natural products, non-polluting and fully biodegradable.

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