



**ANNUAL REPORT ON CORPORATE  
GOVERNANCE**

*Approved by the Board of Directors on March 27, 2007*

## **ANNUAL REPORT ON CORPORATE GOVERNANCE**

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## ANNUAL REPORT ON CORPORATE GOVERNANCE

### Introduction

Granitifiandre SpA has adopted the “Self-Governance Code of listed companies” published in March 2006 by the “Corporate Governance” Committee of the Italian Stock Exchange.

### Part I – the “governance” structure of the Company

Granitifiandre Spa was listed directly on the Star segment of the Italian Stock Exchange, managed by Borsa Italiana, on June 13, 2001.

The inclusion in this segment, which imposes the application of high qualitative and quantitative conditions in terms of transparency, liquidity and corporate governance, required a detailed review of the rules and procedures on the governance and control of the company with reference to the principles and recommendations of the Self-Governance Code and to the size and organisational structure of the company.

The Shareholders’ Ordinary and Extraordinary Meetings of March 3, 2001, May 3 and 22, 2001, and the Board of Directors Meetings on March 10, 2001 and November 12, 2002 amended the structure and regulations on corporate governance.

The Shareholders’ Meeting of May 13, 2004 also adopted amendments relating to Shareholder Meeting Regulations and a new independent director was appointed in addition to those in office.

Finally, the Extraordinary Shareholders’ Meeting of September 28, 2004 amended the By-Laws of the company following the enactment of Legislative Decree 6/2003 (company law reform) and subsequent integrations and amendments.

The share capital of Granitifiandre Spa consists of 36,862,678 ordinary shares with a nominal value of Euro 0.5 each, fully paid with voting rights in both ordinary and extraordinary Shareholders’ Meetings.

Romano Minozzi exercises control over Granitifiandre S.p.A., directly and indirectly through the company Finanziaria Ceramica Castellarano S.p.A.; at December 31, 2006, the shareholding was 63.592% (63.725% at December 31, 2005).

The Chairman and Executive Director Graziano Verdi and the Executive Director Alberto Selmi on October 10, 2006 signed an agreement with the majority shareholder Romano Minozzi which provides for the purchase of Granitifiandre shares and the commitment not to sell them until October 10, 2009. The number of restricted shares are 161,167 for Alberto Selmi and 385,000 for Graziano Verdi. Romano Minozzi has granted put options to the two directors for the above-mentioned shares, to be exercised 12 months after 10/10/2009.

**The Board of Directors** is the principal body responsible for the application of the corporate governance of Granitifiandre and has the responsibility to define, apply, up-date the corporate governance regulations, in full respect of applicable regulations in force, to determine the strategic lines of the Company and of the Group and to verify the system of controls necessary to monitor the performance of the business.

The board of directors is currently composed of 9 members (maximum 11 members as per the company By-laws) who hold office for three years and may be re-elected.

As illustrated below, there are 3 independent directors.

The Board elects the Chairman from its members when not appointed by the Shareholders' Meeting; they may elect one or more Vice Chairmen and one or more Executive Directors, who remain in office for the duration of the mandate of the directors.

When one or more directors resign, they are replaced with a resolution approved by the Board of Statutory Auditors; directors co-opted to the board remain in office until the next shareholders' meeting.

Specific procedures are in place if the director (appointed by the shareholders' meeting) responsible for the function of employer in accordance with the provisions of article 2 of Legislative Decree No. 626 of September 19, 1994 and subsequent modifications resigns from office.

The company By-laws permit the nomination of an executive committee; currently no such committee has been created.

The Board of Directors meet at the registered office of the company or at another location in Italy, when the Chairman deems it necessary or a written request is made by two directors or at least two statutory auditors.

The convocation is made by the Chairman or the Vice Chairman, through means of registered letter, hand-delivered letter, telegram, fax or e-mail, to be sent at least four full days before the date of the meeting, and in case of urgency at least one before the meeting, to each of the members of the Board and to each of the Statutory Auditors.

The meetings of the Board may be held in teleconference.

Resolutions are deemed valid when the majority of the board in office is present and the majority of those present vote in favour.

The vote may not be validly expressed by directors on resolutions where there is a conflict of interest. In this case, although they may not vote, the directors with the conflict are included for the quorum of the meeting.

In accordance with article 18 of the By-Laws, the Board of Directors shall have the widest powers of ordinary and extraordinary administration of the company, and may carry out any and all acts it deems appropriate for attaining the corporate scope, with the sole exclusion of those attributed by law to the shareholders' meeting.

Specifically, the board of directors, through consolidated practices, attributes and revokes delegated powers to the executive directors; determines, having consulted with the remuneration committee and the board of statutory auditors, the remuneration of the executive directors; verifies the adequacy of the administration and organisational structure of the parent company and of the subsidiaries, as determined by the executive directors; examines and approves the significant financial and equity operations, such as the strategic plans of the parent company and of the subsidiaries.

Article 14 of the company By-Laws provides, in addition, that the board of directors have exclusive power concerning the agreement of contracts with related-parties; these powers therefore may not be delegated to individual directors.

This aspect also relates to participation at the shareholder meetings of subsidiaries which are convened for resolutions on operations with related parties, except where these contracts and operations received prior approval by the Board of Directors.

There have always been commercial transactions between the companies of the Granitifiandre Group and related companies of an ordinary nature which principally relate to the purchase and sale of materials and of raw materials whose contractual terms have been established and ratified by the board of directors on the stock market listing of the Company.

The guidelines followed for the identification of transactions which must be approved by the Board of Directors therefore relate to unusual situations or those not part of the normal operations such as, for example - as in the past - the rental contracts for warehouses concluded at market conditions.

The By-Laws also require that the Board of Directors, even through the Chairman or the executive directors, report, at least on a quarterly basis, to the Board of Statutory Auditors on the activities performed concerning the most significant economic and financial operations made by the Company and its subsidiaries, in particular in relation to operations of potential conflict of interests.

Also in this case, significant operations include those not of an ordinary nature and not relating to the normal operations, which as such, remain within the delegated powers and of which adequate periodic information is provided to the Board of Directors; for example, they thus refer to loans granted or acquisition of investments.

For the correct functioning of their duties, the Board has created two internal committees: the Internal Control Committee and the Remuneration Committee.

The Board did not create a nominations committee in consideration of the current shareholder structure and of the consequent consolidated practices, based on which the majority shareholder proceeds to a prior selection of the candidates, which are "presented" directly to the shareholders' meeting with illustration, and presentation of the relative "curriculum vitae".

Full compliance of the suggestion contained in the Code (presentation of the candidates 10 days before the shareholders' meeting) would require an amendment to the company By-Laws. Therefore, it is not considered necessary to modify the current practices nor to introduce the voting of slates also for the election of the directors in addition to that already adopted for the election of statutory auditors in accordance with the provisions of Legislative Decree 58/1998.

**The Board of Statutory Auditors** is composed of three standing and two alternate members (having the requisites of professionalism and integrity) and must undertake its duties as prescribed by law.

The office of statutory auditor is incompatible with similar offices held in more than five other listed companies, with the exclusion of the subsidiaries of the Company in accordance with the Civil Code.

The standing and alternate statutory auditors are elected by the Annual General Meeting though the voting of slates in accordance with the company By-Laws, to which reference should be made for further information.

The ordinary and extraordinary **shareholders' meeting** is convened by the directors, or by the board of statutory auditors in accordance with statutory provisions and by shareholders who make such a request in accordance with the terms and procedures prescribed by law.

The ordinary Shareholders' Meeting is called at least once a year, within 120 days from the end of the financial year, or within 180 days as per article 2364, last paragraph of the Civil Code.

The ordinary and extraordinary shareholders' meetings are convened through notices published in accordance with the terms and procedures required by law.

The right to participate is governed by law.

For the participation at the Shareholders' Meetings, the shareholder must deposit, at least two days prior to the date fixed for the first convocation, the shares or the certificates received in accordance with current regulations by the intermediary appointed holding the securities.

The shares cannot be returned before the shareholders' meeting has taken place or until the expiry of the final convocation indicated in the convocation notice.

Each shareholder who has the right to participate may be represented at the shareholders' meeting, through written proxy, in accordance with current regulations.

The ordinary shareholders' meeting, in first convocation, is valid with the presence of shareholders that represent at least half of the share capital; resolutions are passed with absolute majority.

In second convocation, the ordinary shareholders' meeting is valid whatever the percentage of the share capital represented and resolutions are passed with the majority of the share capital represented.

The extraordinary shareholders' meeting is validly constituted in first, second and third convocation with the participation of shareholders that represent, respectively, more than half, more than one third and more than one fifth of the share capital and deliberates in first, second and third convocation with the favourable vote of two thirds of the share capital represented.

Exceptions are applicable in accordance with article 10 of the By-Laws.

Granitifiandre has shareholder meeting regulations, which in order to ensure greater rapidity and flexibility in the adoption of amendments and modifications thereto, does not constitute an appendix to the By-Laws.

These regulations have the intention to guarantee a correct and orderly participation of the Shareholders at shareholder meetings and a rational organisation of the work is attached to the present report.

## Part II – information on the implementation of the provisions of the Self-Governance Code

### Board of Directors

The Board of Directors is currently composed of 9 members as follows:

Graziano Verdi	Chairman of the Board and Executive Director
Sergio Stefano Mascaretti	Executive Director
Giacomo Mazzoni	Executive Director
Romano Minozzi	Executive Director
Alberto Selmi	Executive Director
Mauro Tabellini	Director
Luigi Guatri	Independent Director in accordance with the self-governance code
Roberto Nasi	Independent Director in accordance with the self-governance code
Alfredo Scotti	Independent Director in accordance with the self-governance code

The present Board of Directors was appointed by the Shareholders' Meeting on May 13, 2004 and will remain in office until the approval of the financial statements for the year ended 2006, with the exception of:

- The executive director Sergio Stefano Mascaretti, co-opted by the Board of Directors' meeting held on February 14, 2005 and confirmed by the Shareholders' Meeting of April 29, 2005. He will remain in office until the approval of the financial statements for the year 2006;
- The executive director Alberto Selmi, co-opted by the Board of Directors' meeting held on October 9, 2006 and will remain in office until the next shareholders' meeting.

On April 28, 2006, Romano Minozzi, already a member of the board, was appointed executive director.

The powers delegated are as follows:

*Graziano Verdi*: responsible for commercial and marketing activity and investor relations activities;

*Sergio Stefano Mascaretti*: responsible for compliance with fiscal regulations, social contributions and employment regulations in general and management control;

*Giacomo Mazzoni*: responsible for the various employment functions in accordance with Legislative Decree No. 626 of 1994 and the treatment of personal data in compliance with legislation on privacy;

*Romano Minozzi*: responsible for all industrial operations and services, personnel, relations with the factory councils and trade unions;

*Alberto Selmi*: responsible for cost management, including purchases and excluding personnel and executive directors costs.

The powers delegated to the Chairman Verdi were based on specific knowledge and experience.

Compared to the members present at January 1, 2006, it is noted that on April 14, 2006 the vice chairman, executive director and member of the board of directors, Maria Cristina Minozzi, resigned for personal reasons. Finally, as already reported, the executive director Alberto Selmi was co-opted to the board on October 9, 2006.

Relating to the office of director or statutory auditor held by some directors in other listed companies including overseas, in financial, banking and insurance companies or of significant size, the following information is provided:

Graziano Verdi	--
Alberto Selmi	--
Sergio Stefano Mascaretti	Director of Maffei Spa
Giacomo Mazzoni	--
Romano Minozzi	Majority shareholder of Granitifiandre Spa
Mauro Tabellini	Director of Maffei SpA
Roberto Nasi	--
Luigi Guatri	<u>Chairman of the Board of Statutory Auditors of:</u> Permasteelisa SpA, Pirelli & C. SpA, Banche Popolari Unite S.C.P.A., Italmobiliare SpA, Movi SpA, Rhifim SpA, Wimed SpA, Movi Lemar SpA, Centrobanca SpA <u>Director of:</u> Banco di Desio e della Brianza SpA, Negri Bossi SpA, Vittoria Assicurazioni SpA (Chairman), ACBGROUP SpA (Chairman of the Supervisory Board), Finanziaria 2000 SpA (Chairman), Medinvest (Member of the Supervisory Board).
Alfredo Scotti	Vice Executive Chairman of Aon Italia Spa – Italian Holding Aon Group– Chairman of Aon Spa, Director of Aon Sigorta (Turkey), Aon Hellas (Greece), Universally of Brescia, and Energie Investimenti.

Therefore, the board of directors consists of four non-executive directors, of which three “independent” in that they do not have economic or any other relationships with the company or with shareholders of such a size to influence their independent judgment and exercise of their duties. The number of independent directors fully satisfy the criteria and rules contained in the Stock Market Regulations and relative Instructions for the year 2006 and for the current year.

In detail, an economic relationship regulated at market prices exists between Granitifiandre and the AON group, whose independent director Mr. Scotti is a representative. AON in fact undertakes the role of insurance broker on behalf of Granitifiandre.

The board of directors held eight meetings in 2006; for year 2007, a minimum of six meetings are planned coinciding with the principal corporate events of the approval of the quarterly and half-yearly reports. The By-Laws do not specify a minimum number of Board meetings.

As previously described, the remuneration of the directors is approved by the Shareholders’ Meeting and then divided between the individual directors by the Board.

In order to provide incentive to management with the objective of creation of value for the shareholders, a stock option plan was approved by the Shareholders’ Meeting on March 3, 2001 and on May 13, 2002.

The stock option plans provide for the recognition to the chairman and executive director, Graziano Verdi and to the executive director Giacomo Mazzoni, of the option to purchase (non-transferable) a total of 100,000 shares each at a pre-determined price of Euro 9.567, dependent on the continuation of collaboration.

In particular, the first two option rights to be exercised, of 40,000 shares by 2006, were not exercised.

The remaining stock option plans may be exercised, for 20,000 shares in 2008, for 20,000 shares in 2010 and finally for 20,000 shares in 2012; limited only to Graziano Verdi, the right is conditional to the reaching of the growth objectives.

It is recalled that in relation to the original stock option plan, the rights attributed to the executive directors Maria Cristina Minozzi and Mauro Pironi are no longer valid following their resignations.

In addition, further agreements were concluded with the executive directors and senior management of the Company, connected to the reaching of economic objectives related to the development of volumes, margins and cash flow and dependent on the reaching of specific objectives related to the nature of the responsibility accorded. These agreements are reviewed annually on the proposal of the remuneration committee.

In 2003 no bonuses were paid as the objectives were not reached; in 2004, 2005 and 2006, bonuses were paid only to the Chairman Graziano Verdi for a value of Euro 171 thousand, Euro 24 thousand and Euro 50 thousand respectively.

#### **Board of statutory auditors**

The Board of Statutory Auditors is composed of three standing members and one alternate member as follows:

Edoardo Rossini	Chairman
Francesca Pagliani	Statutory auditor
Rosa Carla Parisi	Statutory auditor
Stefania Luppi	Alternate auditor
Gianluca Riccardi	Alternate auditor

The board of statutory auditors was appointed by the ordinary shareholders' meeting on May 13, 2004 for a period of three years.

The appointment was made through the voting of slates in accordance with article 22 of the By-Laws (to which reference should be made for further information on the procedures for nomination), which guarantees the presence of statutory auditors representing minority shareholders.

The current statutory auditors were elected from a single slate presented for nomination.

Compared to the members at January 1, 2005, on May 31, 2005, the alternate auditor Mr. Stefania Luppi was co-opted as a standing member, following the resignation of the standing member Mr. Dario Maggioni.

On April 28, 2006, the shareholders' meeting appointed a new standing auditor, Ms. Rosa Carla Parisi, replacing Stefania Luppi, who returned to the role of alternate auditor.

The Board of Statutory Auditors verified the independence of its members, as required by the Self-Governance Code of the Italian Stock Exchange.

The board of statutory auditors met six times in 2006; table 2 attached shows the participation of each member.

The board of statutory auditors also attended all of the board of directors' meetings in the year.

Relating to the office of director or statutory auditor held by some statutory auditors in other listed companies including overseas, in financial, banking and insurance companies or of significant size, the Chairman of the board of statutory auditors Edoardo Rossini held the following offices:

- Director in the following companies: Modena Capitale spa, Cremonini spa – listed company -, Assicuratrice Milanese spa and Futura Holding spa
- Standing Auditor in the following companies: Banca Popolare dell'Emilia Romagna Scarl – listed company -, Optima spa-SGR, Nettuno Gestione Crediti spa, Arca spa-SGR and Arner spa-SGR (Chairman).

There are no other offices with the above-mentioned criteria held by the other statutory auditors.

### **Remuneration Committee**

With Board resolution of May 13, 2004, a remuneration committee was created to propose the remuneration of the executive directors – both fixed and variable remuneration (related to the achievement of objectives) and those that hold specific offices, as well as, on indications of the executive directors, the determination of the remuneration criteria for the senior management of the Company.

The remuneration committee appointed by the board of directors was composed of only non-executive directors, Mr. Romano Minozzi, Mr. Mauro Tabellini and Mr. Alfredo Scotti; on April 28, 2006, the board of directors appointed Romano Minozzi as an executive director, and thus he was no longer eligible to be a member of this committee. The Committee was integrated with the nomination of the independent director Roberto Nasi, therefore the remuneration committee is now composed of Alfredo Scotti and Roberto Nasi, independent directors, and Mauro Tabellini, non-executive director. This composition ensures that the various proposals are made in the absence of persons directly concerned.

The work related in particular to the verification of the achievement of the objectives set for 2005 for the executive directors and senior management and the preparation of new objectives in 2006 for the variable part of the remuneration related to the achievement of specific objectives based on the powers delegated.

### **Internal control committee**

With Board resolution of May 13, 2004, an internal control committee was created, calling upon the two independent directors Luigi Guatri and Alfredo Scotti and the director Mauro Tabellini, delegating to them control and verification, with particular attention to transactions with related parties.

In 2006, the board of statutory auditors was represented by the Chairman or his appointee.

A Board resolution of May 13, 2005 delegated powers for management control to the Director Sergio Stefano Mascaretti.

In this context, a professional person was appointed responsible for internal control and thus hierarchically independent from operational managers and having the duties to undertake the work plan agreed with the internal control committee.

The internal control committee held six meetings in 2006. The activity of the committee related to the following issues:

- updating of the "Internal dealing and market abuse" code;

- evaluation of the accounting principles and of the consolidated financial statements;
- review of the programmed security document;
- review of the draft “Corporate Governance” document for the year 2006;
- analysis of the credit procedures and credit management;
- analysis of transactions with related companies;
- verification of the validity of the procedures in relation to the adoption of the new software system of the parent company and of the subsidiary Porcelaingres GmbH.

### **Relations with shareholders**

Granitifiandre, in order to communicate with institutional investors, with shareholders and with the market and in order to guarantee the continual flow of sufficient and timely information on its activities, appointed the Chairman of the Board of Directors and Executive Director Graziano Verdi as responsible for relations with shareholders and institutional investors.

The activity is also undertaken through a clear and constant updating of its corporate website and of the “investor information” section which contains, in particular, all the press releases and financial documents.

### **Shareholder Meeting Regulations**

Granitifiandre has adopted shareholder meeting regulations which are attached to the present document, letter A.

### **Treatment of reserved information**

The information to the investors, to the market and to the press is ensured through press releases, periodic meetings with institutional investors and the financial community in general and by the documentation made available and constantly updated on the corporate website. The executive director Sergio Stefano Mascaretti is the person responsible for the external publication of documents and information relating to the company, also with reference to “price sensitive” information.

The Company has an internal procedure based on which all confidential information for external publication must be reviewed and authorised by the Chairman Graziano Verdi and by the executive director Sergio Stefano Mascaretti.

The board of directors also approved on March 30, 2006, the amendments to the “code of conduct (internal dealing)”, following the Board resolution of November 12, 2002 and in force since January 1, 2003, dealing with the treatment of reserved information on operations of listed financial instruments of Granitifiandre Spa by so-called “relevant persons” and those by persons having access to reserved information relating to the Company due to their position held, and by persons closely related to relevant persons.

The code, amended on March 30, 2006, is attached to the present document, letter B.

### **Administration system**

In relation to the administration and control system, the company has not adopted the single or dual systems.

TABLE 1: STRUCTURE OF BOD AND COMMITTEES

Board of Directors							Internal Control Committee •		Remuneration Committee ♦		Nomination Committee ◇		Executive Committee	
Office	Members	executives	non-executives	independent	****	Number of other offices **	***	****	***	****	***	****	***	****
<b>Chairman</b>	Graziano Verdi	X			100%	--								
<b>Vice Chairman</b>	Maria Cristina Minozzi	X			50% (1)	--								
<b>ED</b>	Alberto Selmi	X			100% (2)	--								
<b>ED</b>	Sergio Mascaretti	X			100%	--								
<b>ED</b>	Romano Minozzi	X			87% (3)	--								
<b>ED</b>	Giacomo Mazzoni	X			100%	--								
<b>Director</b>	Tabellini Mauro		X		87%	--	X	100%	X	100%				
<b>Director</b>	Nasi Roberto			X	100%	--			X (4)	100%				
<b>Director</b>	Guatri Luigi			X	100%	15	X	50%						
<b>Director</b>	Scotti Alfredo			X	100%	6	X	50%	X	100%				
• Summary of the reasons for any absence from the Committee or other composition with respect to the recommendations of the Code:														
♦ Summary of the reasons for any absence from the Committee or other composition with respect to the recommendations of the Code:														
◇ Summary of the reasons for any composition different from the recommendations of the Code:														
<b>Number of meetings held in the year</b>		BoD: 8	Internal Control Committee: 6	Remuneration Committee: 1	Nomination Committee: n/a	Executive Committee: n/a								

- (1) In office until April 14, 2006; the above percentage shown refers to the period in which the person held office;
- (2) Co-opted by the Board of Directors on October 9, 2006; the above percentage shown refers to the period in which the person held office;
- (3) Previously director, appointed Executive Director by the Board of Directors on April 28, 2006;
- (4) Appointed on April 28, 2006 as replacement of Romano Minozzi.

## **NOTES**

\* 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, and in holding, banking, insurance or large enterprises. The report on corporate governance indicates all offices held.

\*\*\* This column indicates with an "X" whether the member of the BoD is a member of the Committee.

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

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**TABLE 2: BOARD OF STATUTORY AUDITORS**

Office	Members	Percentage of participation at Board meetings	Number of other offices held **
<b>Board of Statutory Auditors appointed by the Shareholders' Meeting of May 13, 2004</b>			
<b>Chairman</b>	Edoardo Rossini	83 %	9
<b>Standing auditor</b>	Francesca Pagliani	100 %	--
<b>Standing auditor</b>	Dario Maggioni (1)	--	
<b>Standing auditor</b>	Stefania Luppi	100% (2)	--
<b>Standing auditor</b>	Rosa Carla Parisi	100% (3)	--
<b>Alternate Auditor</b>	Gianluca Riccardi	--	--
<b>Alternate Auditor</b>	Stefania Luppi (4)	--	--
<b>Number of meetings held in the year: 6</b>			
<b>Indicate the quorum required for the presentation of lists by minority shareholders for the election of one or more standing members (ex art. 148 TUF): 5% of the share capital</b>			

**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. The report on corporate governance indicates all offices held.

- 1) In office until May 31, 2005;
- 2) In office since May 31, 2005, until April 14, 2006; the above percentages refer to the period in which the person held office;
- 3) In office since April 14, 2006; the above percentages refer to the period in which the person held office;
- 4) Alternate auditor until May 31, 2005; standing auditor until April 28, 2006; currently alternate author.

**TABLE 3: OTHER REQUIREMENTS OF THE SELF-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		See example in the Report
The above guidelines and the criteria are described in the report?	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 nomination of directors and statutory auditors</b>			
The proposal of the candidates for the office of director is made at least ten days in advance?		X	As described in the Report it is consolidated practices that the majority shareholder proceeds to a prior selection of the candidates, which are "presented" directly to the shareholders' meeting with illustration, and presentation of the relative "curriculum vitae".
The candidature for director is accompanied by full and complete information?	X		
The candidature for director is accompanied by indications of independence?	X		

The proposal of the candidates for the office of statutory auditor is made at least ten days in advance?		<b>X</b>	The By-Laws require the filing of the slate of the candidates to take place within five working days of the Shareholders' meeting called in first convocation.
The candidature for statutory auditor is accompanied by full and complete information?	<b>X</b>		
<b>Shareholders' Meetings</b>			
Has the Company approved Shareholder Meeting Regulations?	<b>X</b>		
Are the Regulations attached to the report (or is it stated where they can be obtained/downloaded)?	<b>X</b>		
<b>Internal Control</b>			
Has the company appointed persons responsible for internal control?	<b>X</b>		
Are they hierarchically independent from Business Area managers?	<b>X</b>		
Dept. responsible for Internal Control (as per article 9.3 of the Code)	Luzi Giulio is responsible for internal control		
<b>Investor relations</b>			
Has the Company appointed an investor relations manager?	<b>X</b>		
Dept. (address /telephone/fax/e-mail) and person responsible for investor relations	Verdi Graziano – Granitifiandre Spa Via Radici nord 112 Castellarano (RE) tel: 0536-819750 fax: 0536-819779 email: evandelli@granitifiandre.it		

## ATTACHMENT A

ORDINARY AND EXTRAORDINARY SHAREHOLDER MEETING REGULATIONS OF GRANITIFIANDRE S.p.A.

Art. 1. The current regulations govern, in compliance with applicable law, ordinary and extraordinary shareholders' meetings of the Company in order to guarantee a correct and orderly participation of the Shareholders at shareholders' meetings, together with a rational organisation of the work.

Art. 2. The shareholders' meeting is presided over by the Chairman, appointed by the Shareholders' Meeting on the proposal of one or more shareholders attending the meeting. In fact, the Chairman of the Company or, in his absence, a director, requests the shareholders to nominate the Chairman to the Shareholders' Meeting, by means of voting.

On the proposal of the Chairman, the Shareholders' Meeting may appoint a Secretary, who may not be a shareholder. The nomination of the Secretary is not necessary when the minutes are prepared by a notary.

Art. 3. The Chairman of the shareholders' meeting presides over the work, granting the floor to the Chairman of the Board and to each Director who wishes to participate on the matters on the agenda.

Art. 4. After the contribution of the Directors and, where requested, of the Statutory Auditors, the Chairman of the shareholders' meeting declares the discussions open, inviting the shareholders to participate in the order requested, as resulting from the register held for such purposes.

Art. 5. The duration of each contribution is fixed at 10 minutes, except for an extension approved by the shareholders' meeting in particularly important cases relating to the issues at hand. Once all discussions are completed, the Chairman of the shareholders' meeting grants the floor for the responses and replies to the Chairman of the Company and to the members of the board of directors. Thereafter, the Shareholders who are not satisfied with the clarifications and explanations provided, have the right to briefly reply in a period limited to five minutes per person.

Art. 6. At the end of the replies, the Chairman of the shareholders meeting commences the voting, which may take place alternatively, through the voting by hands or through ballots.

Except where the law expressly requires voting by ballot, the Chairman of the shareholders' meeting may choose the voting method.

In the case of voting by hands, the dissenting or abstaining Shareholders must register their negative vote with the secretary or the notary, so that the dissent is noted.

Art. 7. Once the voting is concluded, the Chairman of the shareholders' meeting announces the results, considering the proposal rejected when the number of shares of the Shareholders dissenting is above the number of shares of the Shareholders in favour of the motion, or where due to the effect of the votes registered by the Shareholders dissenting or absent, the quorum in accordance with law for the resolution has not been reached.

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**ATTACHMENT B**



**INTERNAL DEALING  
CODE OF CONDUCT**

**April 2006**

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## CODE OF CONDUCT

### “INTERNAL DEALING”

#### 1. Introduction

The present Code of Conduct governs the compulsory communications required by article 114, paragraph 7 of the Finance Act, for shares issued by Granitifiandre S.p.A. or other related financial instruments of persons who, due to the position held, have access to confidential information and have the power to adopt management decisions which can impact on the performance and future prospects of Granitifiandre S.p.A. – so-called “relevant persons” – and of persons “closely related to them”.

#### 2. Relevant persons

For “relevant persons” it is intended:

- a) The members of the Board of Directors and control of Granitifiandre S.p.A..
- b) The management of Granitifiandre S.p.A. and executives that have regular access to price sensitive information and that have the power to adopt management decisions which may impact upon the performance and future prospects of Granitifiandre S.p.A..
- c) The members of the board of directors and board of statutory auditors, the management and executives that have regular access to price sensitive information and have the power to adopt management decisions which may impact upon the performance and future prospects of a subsidiary, either directly or indirectly, of Granitifiandre S.p.A., when the book value in the above-mentioned subsidiary represents more than 50% of the assets of Granitifiandre S.p.A. as resulting from the latest approved financial statements.
- d) Any other person with a holding, calculated in accordance with article 118 of the Issuers’ Regulation (Consob Resolution 11971/99 and subsequent amendments), equal to at least 10% of the share capital, represented by shares with voting rights, as well as any other party which controls the listed issuer.

#### 3. Persons closely related to relevant persons

For “Persons closely related to relevant persons” it is intended:

- a) Spouses not legally separated, children including those of spouses if supported, and if living together for at least one year, parents and relatives of relevant persons;
- b) Legal entities, companies and “trusts” in which a relevant person or one of the persons indicated at letter a), manages solely or jointly;
- c) Legal entities, controlled directly or indirectly by a relevant person or by one of the persons indicated at point a);
- d) Partnerships whose economic interests are substantially equivalent to those of a relevant person or of a person indicated at point a);
- e) The “trusts” created on behalf of a relevant person or one of the persons indicated at point a).

The relevant persons must communicate the list of the persons who qualify as persons closely related to the relevant persons.

#### 4. Compulsory communications

In accordance with article 114, paragraph 7, the relevant persons and the persons closely related to them must communicate the operations of purchase, sale, subscription or exchange of Granitifiandre S.p.A. shares or related financial instruments where the total is above Euro 5,000 in the year.

For financial instruments it is intended:

- a) The financial instruments which permit the subscription, purchase or sale of the shares;
- b) The convertible debt instruments into shares or exchangeable with shares;
- c) The derivative financial instruments on the shares indicated at article 1, paragraph 3 of the Finance Act;
- d) The financial instruments, equivalent to shares, representing those shares,
- e) The listed shares issued by the subsidiaries of the issuer and the related financial instruments as per the previous points a), to d);
- f) Non-listed shares issued by the subsidiaries of the issuer when the book value of the investment in the subsidiary represents more than 50% of the assets of the issuer, as resulting from the latest approved financial statements, and the related financial instruments associated to the previous points a) to d).

It is not necessary to communicate:

- a) The transactions whose total amount are not above Euro 5,000 in each year; for the related derivative financial instruments, the amount is calculated with reference to the underlying shares;
- b) The transactions between relevant persons and persons closely related to them;
- c) The operations undertaken by the listed company or by its subsidiaries.

The threshold of Euro 5,000 is calculated aggregating the transactions relating to the shares and to the related financial instruments, made on behalf of each relevant person and those made on behalf of the persons closely related to them.

The relevant persons must inform the persons closely related to them of the conditions to which these persons must comply in accordance with the communication obligations required by article 114, paragraph 7, of the Finance Act.

The form for the data required for the communications of operations by relevant persons is attachment 6 of the Issuers Regulation, which is attached to the present code. Any modifications to the form by Consob will be automatically updated in the present regulations. A resolution is necessary.

## **5. Authorised person for the reception, management and publication of the information**

The person responsible in the Corporate Affairs office of Granitifiandre S.p.A. is the person responsible for the reception, management and publication to the market of the operations communicated by relevant persons.

Each relevant person, in communicating the operations undertaken, may utilise one of the following procedures:

- Delivery of the communication directly to the offices of Granitifiandre S.p.A. Via Radici Nord, 112 – 42014 Castellarano (RE);
- Transmission of the communication by fax to the number 0536/819779;
- Communication via e-mail to the e-mail address [segreteriasocietaria@granitifiandre.it](mailto:segreteriasocietaria@granitifiandre.it).

To request clarification or assistance, in order that the operations are correctly communicated, persons may contact the phone number 0536/819750.

The person responsible maintains and updates the list of the relevant persons.

## **6. Method and time period for the communications to Consob and to the public**

The relevant persons communicate to Consob the operations on shares and related financial instruments undertaken by them and by persons closely related to them within 3 trading days from the date of the operation.

The relevant persons communicate to Granitifiandre S.p.A., in particular to the Person responsible for Corporate Affairs, the operations indicated in the previous paragraph in the terms indicated.

Granitifiandre S.p.A. publishes, in accordance with the terms contained in article 66, paragraphs 2 and 3, the information received in accordance with the previous paragraph, by the end of the trading day after their reception.

The relevant persons indicated in article 152, paragraph 1, letter c 4) communicate to Granitifiandre S.p.A. the information indicated at paragraph 1, by the end of the 15th day after the month in which the operation was undertaken. Granitifiandre S.p.A. through the person responsible, transmits in accordance with the terms contained in article 66, paragraphs 2 and 3, the information received within the end of the next trading day of the information from the above-mentioned relevant persons.

The communications to Consob required by paragraph 1 and 4 can be made, on behalf of all the relevant persons, by Granitifiandre S.p.A., within the terms indicated in the previous paragraphs.

The communication to Granitifiandre S.p.A. must also be exclusively made by the relevant persons for operations undertaken by persons closely related to them.

The communications required by the previous paragraph are made in accordance with the procedures attached to the present Code.

#### **7. Limitations on the carrying out of transactions**

The Board of Directors of Granitifiandre S.p.A. reserve the right to prohibit or restrict the undertaking by relevant persons in certain periods of the year of operations on the shares issued by Granitifiandre S.p.A. or other related financial instruments, without requiring amendments and/or integrations to the present Code.

#### **8. Commencement of Code**

The present Code enters into force from April 1, 2006.

#### **9. Sanctions**

In the event of non compliance with the provisions contained in article 114, paragraph 7 and the provisions issued by Consob, in relation to the persons indicated in the regulations, punitive administrative sanctions are applied of between Euro 5,000 and Euro 50,000.