



2008 CORPORATE GOVERNANCE REPORT

www.granitifiandre.it

ANNUAL REPORT ON CORPORATE GOVERNANCE

CONTENTS

1. Company profile.....	pag. 2
2. Information on share ownership (as per art.123 bis of the CFA).....	pag. 3
a) Share capital structure.....	pag. 3
b) Restriction on the transfer of securities.....	pag. 3
c) Significant shareholdings.....	pag. 3
d) Securities which confer special rights.....	pag. 3
e) Employee shareholdings: method of exercise of voting rights.....	pag. 3
f) Restrictions on voting rights.....	pag. 3
g) Shareholders agreements.....	pag. 4
h) Nomination and replacement of the directors and changes to the company by-laws.....	pag. 4
i) Powers to increase share capital and authorisation to purchase treasury shares.....	pag. 5
j) Change of control clauses.....	pag. 5
k) Indemnities of the directors in case of dismissal and termination of employment following a public purchase offer.....	pag. 5
3. Compliance.....	pag. 5
4. Management and co-ordination activity.....	pag. 6
5. Board of Directors.....	pag. 6
5.1 Composition.....	pag. 6
5.2 Role of the Board of Directors.....	pag. 7
5.3 Delegated powers.....	pag. 8
5.4 Other executive directors.....	pag. 9
5.5 independent directors.....	pag. 9
5.6 Lead Independent Director.....	pag. 9
6. Treatment of privileged information.....	pag. 9
7. Internal committees.....	pag. 9
8. Nominations committee.....	pag. 9
9. Remuneration committee.....	pag. 10
10. Remuneration of directors.....	pag. 10
11. Internal control committee.....	pag. 11
12. Internal control system.....	pag. 12
12.1 Executive director responsible for the internal control system.....	pag. 13
12.2 Internal control manager.....	pag. 13
12.3 Organisation model pursuant to Legs. Decree 231/2001.....	pag. 14
12.4 Independent audit firm.....	pag. 14
12.5 executive responsible for the preparation of the corporate accounting documents.....	pag. 14
13. Directors interests and transactions with related parties.....	pag. 14
14. Appointment of statutory auditors.....	pag. 15
15. Board of statutory auditors.....	pag. 16
16. Relations with shareholders.....	pag. 17
17. Shareholder Meetings'.....	pag. 17
18. Changes subsequent to the year-end.....	pag. 18

ANNUAL REPORT ON CORPORATE GOVERNANCE

1. COMPANY PROFILE

Granitifiandre Spa was listed directly on the Star segment of the Italian Stock Exchange, managed by Borsa Italiana, on June 13, 2001 and adheres to the “Self-Governance Code for listed companies” published in March 2006 by the “Corporate Governance” Committee established by Borsa Italiana.

The governance structure of GranitiFiandre SpA is as follows:

- Shareholders’ Meetings
- A Board of Directors of 7 members (of which 2 independent)
- Internal control committee
- Remuneration committee
- Board of Statutory Auditors
- Independent Auditors

In consideration of the shareholder structure of the company and the consequent corporate governance system it was not considered necessary to set up a Nominations Committee.

It is also noted that:

- the Shareholders’ Ordinary and Extraordinary Meetings of March 3, 2001, May 3 and 22, 2001 and May 13, 2004 and the Board of Directors’ Meetings on March 10, 2001 and November 12, 2002 amended the structure and regulations on corporate governance;
- 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);
- the Shareholders’ Meeting of April 26, 2007, which approved the financial statements at December 31, 2006, also appointed the new corporate boards - the Board of Directors and the Board of Statutory Auditors - and appointed, in accordance with article 159 of the Consolidated Finance Act, the independent auditor;
- the Extraordinary Shareholders’ Meeting of June 29, 2007, in order to update the company by-laws in accordance with Law No. 262/2005 on the Protection of Savings and Legislative Decree No. 303/2006, amended articles 13, 18, 22 and 23 and introduced within article 18 the “Executive responsible for the preparation of corporate accounting documents”.

2. INFORMATION on SHARE OWNERSHIP at 31/12/2008
(as per art. 123 of the Consol. Finance Act)

a) Share capital structure

The share capital of Granitifiandre Spa, amounting to Euro 18,431,339, is fully paid-in and consists of 36,862,678 ordinary shares with a nominal value of Euro 0.50 each, fully paid-in and with voting rights at both ordinary and extraordinary Shareholders' Meetings.

Financial instruments which attribute the right to subscribe to newly issued shares were not issued.

In relation to the share incentive plans in operation, the information document regarding the stock option plans is available for consultation on the internet site www.granitifiandre.it, in the Finance Area, "Download Documents" section, "Informational Document on Remuneration Plans",

b) Restrictions on the transfer of securities

No restrictions are in existence, except for those listed under letter g).

c) Significant shareholdings

The shareholdings at March 6, 2009, in accordance with article 120 of the Consolidated Finance Act, are as follows:

Shareholder	Direct shareholder	% on ordinary share capital and of voting share capital*
MINOZZI ROMANO	IRIS CERAMICA SPA	0.995
MINOZZI ROMANO	FINCEA SPA	0.391
MINOZZI ROMANO	CASTELLARANO FIANDRE SPA	1.931
MINOZZI ROMANO	FINANZIARIA CERAMICA CASTELLARANO SPA	61.366
MINOZZI ROMANO	MINOZZI ROMANO	0.329
COLUMBIA WANGER ASSET MANAGEMENT LP	COLUMBIA WANGER ASSET MANAGEMENT LP	5.745
BESTINVER GESTION SGIIC SA	BESTINVER GESTION SGIIC SA	5.068
SOFIA HOLDING SPA	SOFIA HOLDING SPA	2.007

* The share capital does not consist of shares with limited or no voting rights.

Romano Minozzi exercises control over GranitiFiandre S.p.A., directly and indirectly through the company Finanziaria Ceramica Castellarano S.p.A.; at March 6, 2009, the shareholding was 65.012% (65.547% at December 31, 2007).

d) Securities which confer special rights

None were issued.

e) Employee shareholdings: method of exercise of voting rights

The company does not have a share investment plan for employees.

f) Restrictions on voting rights

There are no restrictions on voting rights.

g) Shareholder agreements

The Chief Executive Officer 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 is 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.

h) Nomination and replacement of the directors and changes to the company by-laws

The company is administered by a Board of Directors, composed of between two 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, and may be re-elected.

The shareholders' meeting must first determine the number of board members and the duration of office.

The shareholders' meeting also appoints the director responsible for employment in accordance with the provisions of article 2 of Legislative Decree No. 626 of September 19, 1994 and subsequent modifications.

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

The appointment of the Board of Directors' is based on a slate of candidates.

Shareholders may present slates that, alone or together with other shareholders, hold at least 2.5% of the share capital, or an alternate percentage of the share capital fixed by law or regulations.

Each shareholder may present or vote on only one slate and each candidate may be presented on only one slate at the risk of ineligibility.

The slates, including the information on the shareholders who present the slate and stating the total percentage of their cumulative shareholding, shall be filed at the Company's registered office at least fifteen days prior to the date established for the Shareholders' Meeting in first call.

In order to confirm the title of the shares necessary for the presentation of slates, the shareholders must file within the period prescribed in the previous paragraph, a copy of the certificate issued by the depository holding their shares at the registered office of the company. Together with each slate, within the period as indicated above, a declaration in which the individual candidates accept their candidature must be filed and they must certify that they possess the prescribed requisites; with the declarations, the curriculum vitae of each candidate must be filed.

Method to appoint candidates from the slates presented:

- a) from the slate which obtained the highest number of votes in the Shareholders' Meeting, based on the progressive order, all the members of the Board of Directors, except one, are chosen;
- b) from the slate which obtained the second highest number of votes, which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the slate and which achieves the highest number of votes, the first candidate listed is elected to the Board of Directors.

The successful slate is considered as that which has been voted on by the highest number of shareholders, and in cases of parity, the first slate filed. The same rule applies where more than one minority slate has obtained the same number of votes.

In relation to fulfilling the position of Director, consideration is not taken of the slates which have not obtained at the shareholders' meeting at least half of the votes required for the presentation of the slates according to the present by-law.

If only one slate is presented, or if the successful slate does not have the minimum percentage of votes required by law, the members of the Board of Directors are chosen from the only slate presented.

If during the year, a vacancy arises on the Board of Directors, for whatever reason, the Board will replace such person(s) with the first candidate not elected belonging to the same slate from which the candidate leaving belonged, or with the next candidate on the slate if the first or successive candidates cannot accept the office or are not in possession of the requisites of independence which may be required to replace the Directors.

Where it is not possible to replace the Directors according to the mechanism provided in the previous paragraph, the Directors remaining in office choose by co-option the Director or Directors, choosing from those not appearing on any slate. The Directors co-opted remain in office until the next Shareholders' Meeting.

i) Powers to increase share capital and authorisation to purchase treasury shares

The Board does not have the powers to increase the share capital and/or to issue financial instruments.

The company does not hold treasury shares and the shareholders' meeting has not authorised their purchase.

j) Change of control clauses

No change of control clauses in relation to the Parent Company or its subsidiaries are in place.

k) Indemnities of the directors in case of dismissal and termination of employment following a public purchase offer.

No agreements have been signed between the Parent Company and the directors which provide indemnity in the case of resignation or dismissal/revocation of office without just cause or termination of employment following a public purchase offer.

3. COMPLIANCE

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 and has not adopted other codes other than those issued by Borsa Italiana.

The Parent Company and its subsidiaries are not subject to laws in force outside Italy which affect the corporate governance structures.

4. MANAGEMENT AND CO-ORDINATION ACTIVITY

The Parent Company is subject to the management and co-ordination of Iris Due S.p.A, which controls Finanziaria Ceramica Castellarano SpA, the parent company of GranitiFiandre SpA.

5. BOARD OF DIRECTORS

5.1 COMPOSITION

The current Board of Directors was elected on April 26, 2007. It will remain in office until the approval of the annual accounts for the year 2009 and is made up of the following members:

Name	Office	In office from	Slate*	Exec.	Non exec.	Ind.	Ind. Fin. Act	% BoD**	Other offices***
Graziano Verdi	Chief Executive Officer	26.04.2007	M	Yes				100%	
Alberto Selmi	Executive Director	26.04.2007	M	Yes				100%	
Mauro Tabellini	Executive Director	26.04.2007	M	Yes				80%	
Sergio Stefano Mascaretti	Non Executive Director	26.04.2007	M		Yes			80%	
Romano Minozzi	Non Executive Director	26.04.2007	M	Yes				100%	Majority shareholder in GranitiFiandre S.p.A.
Roberto Nasi	Lead Independent Director	26.04.2007	M		Yes	Yes	Yes	100%	
Alfredo Scotti	Independent Director	26.04.2007	M		Yes	Yes	Yes	100%	-Vice Ch.. AON Italia SpA -Director AON Sigorta (Turkey)

* M: Majority slate;

** the Board of Directors elected on 26.04.2007 held 5 meetings in 2008;

*** in accordance with 'art. 144-decies of the Consob Issuers' Regulations.

The Board, in its meeting of April 26, 2007, set up two internal committees: the Internal Control Committee and the Remuneration Committee, composed of the following directors:

Name	Office	% attendance of the Remuneration Committee*	% attendance of the Internal Control Committee **
Sergio Stefano Mascaretti	Non Executive Director	100%	100%
Roberto Nasi	Independent Director	100%	100%
Alfredo Scotti	Independent Director	100%	100%

* The Remuneration Committee met once in 2008

** The Internal Control Committee met 10 times in 2008

The Board did not set up a Nominations Committee in consideration of the current shareholder structure and of the related consolidated practices, according to which the majority shareholder carries out an initial selection of candidates, which are “presented” directly to the shareholders’ meeting with accompanying details and the presentation of their “curriculum vitae”.

The company By-Laws permit the nomination of an Executive Committee; currently no such committee has been created.

The Board has not defined general criteria relating to the maximum number of offices that the members of the Board can hold in other companies. Currently, the members of the Board do not hold offices in any other companies, listed or unlisted, which may in any way influence and/or damage the work carried out for GranitiFiandre SpA.

5.2 ROLE OF THE BOARD OF DIRECTORS

The Board, appointed on April 26, 2007, met 5 times, with the average meeting duration being one hour.

In 2009, five Board meetings have been scheduled, which coincide with the approval of the quarterly reports and the half-year report.

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 in attaining the corporate objects, with the sole exclusion of those attributed by law to the shareholders’ meeting.

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 as part of the quorum of the 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.

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 in potential conflict of interest.

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 in relation to which adequate periodic information is provided to the Board of Directors; for example, they may refer to loans granted or the acquisition of investments.

The Shareholders’ Meeting did not authorise any general or specific competitor agreements as per article 2390 of the civil code.

5.3 DELEGATED POWERS

The powers delegated are as follows:

Graziano Verdi: responsible for commercial and marketing activities, for all industrial operations and services, personnel and relations with the factory councils and trade unions and the investor relations activities.

Alberto Selmi: responsible for cost management, including purchases and excluding personnel and executive directors costs, the function of employer in accordance with Legislative Decree No. 626 of 1994 and the treatment of personal data in compliance with legislation on privacy.

Mauro Tabellini: responsible for management control.

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

5.4 OTHER EXECUTIVE DIRECTORS

No other Directors on the Board are considered to be executive directors.

5.5 INDEPENDENT DIRECTORS

Two members of the Board of Directors are considered “independent” in that they do not have economic or any other type of relationship with the company or with shareholders of such a size as to influence their independent judgment and the exercise of their duties. The independent directors fully satisfy the criteria and rules contained in the Stock Market Regulations and relative Instructions.

The existence of the requisites of the “independent directors” were verified and brought to the attention of the Board of Directors in the meeting of March 13, 2009.

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

5.6 LEAD INDEPENDENT DIRECTOR

In accordance with the Self-Governance Code, which provides that:

“where the chairman of the Board of Directors is the principal person responsible for the management, or where the office of chairman is held by the person that controls the issuer, the Board appoints an independent director as lead independent director, which acts as a point of reference and coordination of the contributions of the non-executive directors and, in particular, of the independent directors”,

The Board of Directors nominated Mr. Roberto Nasi as lead independent director.

6. TREATMENT OF PRIVILEGED INFORMATION

Communication of information to investors, to the market and to the press is made 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 Mauro Tabellini is the person responsible for the external publication of documents and information relating to the company and also in relation 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 Investor Relator Graziano Verdi and by the executive director Mauro Tabellini.

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 connected to relevant persons.

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

7. INTERNAL COMMITTEES

The Board has constituted two internal committees: the Internal Control Committee and the Remuneration Committee. Both Committees are composed of the same members.

8. NOMINATIONS COMMITTEE

The Board did not set up a Nominations Committee in consideration of the current shareholder structure and of the related consolidated practices, according to which the majority shareholder carries out an initial selection of candidates, which are “presented” directly to the shareholders’ meeting with accompanying details and the presentation of their “curriculum vitae”. In addition, the Company By-Laws, amended in compliance with the provisions of the Protection of Savings Law No. 262/2005 introduced the voting of slates, which guarantees transparency in the selection process and in the appointment of independent and non-independent directors.

9. REMUNERATION COMMITTEE

With Board resolution of April 26, 2007, a Remuneration Committee was set up to propose the variable remuneration of the executive directors (related to the achievement of objectives) and the remuneration of 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 is composed of Alfredo Scotti and Roberto Nasi, independent directors, and Sergio Stefano Mascaretti, a non-executive director, Chairman of the Committee. This composition ensures that the various proposals are made in the absence of the persons directly concerned. The executive directors in fact do not participate at the

meetings of the Committee in which the proposals relating to the remuneration of the Board are discussed and in general no other participants take part in the meetings of the Committee except its members.

The work in 2008 related in particular to the verification of the achievement of the objectives set for 2007 for the executive directors and senior management and the preparation of new objectives in 2008 for the variable part of the remuneration related to the achievement of specific objectives based on the powers delegated.

Minutes are kept of the Committee meetings.

In the carrying out of its functions, the Remuneration Committee has full access to the information and to the corporate functions necessary for the carrying out of its remit and consequently does not require the use of external consultants.

10. REMUNERATION OF DIRECTORS

A large part of the remuneration of the Chief Executive Officer Graziano Verdi and of the executive director Alberto Selmi is based on the results of the Issuer.

There are no plans for a variable remuneration for the other managers within the company. There is a stock option plan for the Chief Executive Officer, Mr. Graziano Verdi, which provides for the right to purchase options (non-transferable) totaling 40,000 shares each at a pre-determined price of Euro 9.567, dependent on the continuation of collaboration and of which 20,000 shares exercisable in 2010 and 20,000 shares exercisable in 2012.

The emoluments matured by directors in 2008 were as follows:

(in Euro thousands)

Person Name	Description of office		Emoluments for office	Remuneration		
	Office	Duration of office		Non-monetary benefits	Bonuses and other incentives	Other Remuneration
Graziano Verdi	Chairman and CEO	1/1 – 31/12	419	6	264	344
Alberto Selmi	ED	1/1 - 31/12	350	--	58	--
Mauro Tabellini	ED	1/1 - 31/12	52	--	--	--
Sergio Stefano Mascaretti	Director	1/1 - 31/12	26	--	--	--
Romano Minozzi	Director	1/1 – 31/12	--	--	--	--
Roberto Nasi	Director	1/1 - 31/12	26	--	--	--
Alfredo Scotti	Director	1/1 - 31/12	26	--	--	--
Total			899	6	322	344

The remuneration of the non-executive directors is not based on the results of the issuer and they may not avail of share option plans.

The remuneration of the non-executive directors is fixed, together with that of the other members of the Board of Directors, by the decision of the Board, taken by a unanimous vote on April 26, 2007.

in Euro

Sergio Stefano Mascaretti	26,000.00
Roberto Nasi	26,000.00
Alfredo Scotti	26,000.00
Total	78,000.00

11. INTERNAL CONTROL COMMITTEE

With Board resolution of April 26, 2007, an internal control committee was set up, calling upon the two independent directors Roberto Nasi and Alfredo Scotti and the director Sergio Stefano Mascaretti, non-executive director, Chairman of the Committee, delegating to them the roles of control and verification, with particular attention to transactions with related parties.

In 2008, the board of statutory auditors was also represented by the Chairman or his appointee.

The internal control committee held ten meetings in 2008. At the above-mentioned meetings, in relation to particular aspects on the agenda, persons from outside the Committee were also invited, allowing a greater number of issues to be dealt with by the Committee.

The committee's activity related to the following issues:

- review the criteria for the appointment of the internal auditor;
- review the draft 2007 "Corporate Governance" report;
- review the draft consolidated financial statements of the Granitifiandre Group;
- review the adequacy of the document relating to the protection and security of data;
- related party transactions in 2007 and analysis of the group financial situation;
- review the procedures on client credit lines;
- review the Group's client ageing list;
- verify the implementation of article 36, para. 1, letter a), b) and c) of the Issuers' Regulations;
- verify the validity of the procedures in relation to the adoption of the new IT system of the subsidiary Ceramiche Riunite Srl;
- verify the procedures of the current asset cycle of the subsidiary Ceramiche Riunite S.rl..

Minutes are kept for all Committee meetings.

In the carrying out of its functions, the Committee has full access to the information and to the functions necessary for the carrying out of its remit and consequently does not need the use of external consultants.

12. INTERNAL CONTROL SYSTEM

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

GranitiFiandre and the companies of the Group ensure that the internal control system provides a reasonable assurance of the following objectives:

- effectiveness and efficiency of business management;
- reliability of the financial statements;
- compliance with law and regulations.

As relating to the procedures adopted to ensure the normal and efficient management of the business, the internal control system therefore also includes compliance with management policies, the safeguarding of assets, the prevention and identification of fraud and the accuracy and completeness of accounting entries.

The essential elements of the internal control system are the general controls on the one hand and the technical controls on the other.

The specific aspects of the general controls relate to those procedures which are necessary to ensure:

- the completeness and adequacy of the data produced by the IT systems;
- the analysis of the income statement, balance sheet and financial data;
- the control of financial resources and their related commitments.

Measures and control techniques adopted:

- accuracy of the accounting records, with particular attention to the valuation of trade receivables, intangible and tangible assets, shareholdings, securities and inventories, the criteria used to calculate amortisation and depreciation and the completion of all the valuations applied which permit the financial statements to provide a true and fair view of the balance sheet, financial situation and the results of the company;
- on the IT systems;
- the approval of the documents (with relative verifications and samples);
- checks between the physical existence of assets and their recording in the financial documents;
- concordance between analytical accounting and general accounting;
- comparison and analysis between the accounting data and the budget.

The data is obtained via ad hoc files, meetings with management and personnel and examination of the documents and reports made.

On the approval of the quarterly reports, the half-yearly report, and the financial statements for the year, the Board of Directors attentively evaluated, through broad discussions between its members, the adequacy and efficacy of the internal control system. In 2008, these evaluations concluded with a positive outlook.

12.1 EXECUTIVE DIRECTOR RESPONSIBLE FOR THE INTERNAL CONTROL SYSTEM

A Board resolution of April 26, 2007 delegated powers for management control to the Director Mauro Tabellini.

The Director Mauro Tabellini has periodically submitted to the Board:

- the results of the verifications relating to the main business risks, concentrating on the economic and financial aspects of the parent company and its subsidiaries;
- all of the updates resulting from the new Consob Regulations and Regulations for Issuers of Borsa Italiana;

He has also implemented the guidelines defined by the Board, introducing and managing internal controls and submitting the nomination and remuneration of the Internal Control manager for Board's approval.

12.2 INTERNAL CONTROL MANAGER

The Issuer has appointed an internal control manager that is hierarchically independent from operational managers and has the duties to undertake the work plan agreed with the internal control committee.

The appointee, Mr. Giulio Luzi, was nominated on the proposal of the executive director responsible for management control, after consultation with the Internal Control Committee.

The internal control manager has had access to all information necessary for carrying out his duties and has reported directly on his actions to the Internal Control Committee, the Board of Statutory Auditors, and to the executive director responsible for management control.

The main activities carried out during the year by the internal control manager were as follows:

- verifying compliance of internal and external regulations;
- control and monitoring, through sample testing of operational managers, of information necessary to assess the adequacy of the organisational structures and procedures and policies, identifying all opportunities for improvement;
- assessing the adequacy of the internal control system, also taking into account the results of the sample testing carried out by the manager;
- periodic reports to the Internal Control Committee on the deficiencies or improvements required based on the verifications made.

On February 14, 2008, the Board also introduced the position of internal auditor, appointing Mr. Ivano Di Paolo. The board decided not to assign such a role to external parties, even for individual operating segments.

12.3 ORGANISATION MODEL PURSUANT TO LEGISLATIVE DECREE 231/2001

During the year the company updated the Organisation, Management and Control Model in accordance with the provisions of Legislative Decree No. 231/2001 in relation to administrative responsibility of legal persons.

The model may be consulted on the website www.granitifiandre.it, Financial Area, Document Download, under the item “Modello Organizzativo 231” [Organisational Model 231].

12.4 INDEPENDENT AUDIT FIRM

The auditor appointed is Deloitte & Touche S.p.A., registered in the Consob register under No. 46 by Resolution No. 14182 of 29/07/2003, with registered office in Milan.

The appointment was made by the shareholders' meeting of April 26, 2007 and shall expire with the approval of the financial statements for the year 2009.

12.5 EXECUTIVE RESPONSIBLE FOR THE PREPARATION OF THE CORPORATE ACCOUNTING DOCUMENTS

On August 10, 2007, the Board of Directors of the Issuer, after consultation with the Board of Statutory Auditors and the Internal Control Committee, appointed Dario Maggioni, the current administrative director of GranitiFiandre SpA, “Executive responsible for the preparation of the corporate accounting documents”.

Dario Maggioni holds many years experience in the administrative, financial and control areas, as well as the qualifications required by law for the holding of the office of director.

Pursuant to article 18 of the By-Laws the Board of Directors ensures that the executive responsible for the preparation of the corporate accounting documents has adequate powers to exercise these duties in accordance with the requirements of law.

13. DIRECTORS INTERESTS AND TRANSACTIONS WITH RELATED PARTIES

Article 14 of the By-Laws provides 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 transactions received prior approval by the Board of Directors.

It is underlined that commercial transactions have always taken place 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.

14. APPOINTMENT OF STATUTORY AUDITORS

As illustrated above, the extraordinary shareholders' meeting amended, following the changes to article 148 and 148 bis of the Consolidated Finance Act, article 22 of the By-Laws, relating to the appointment system of the Board of Directors and the relative slate mechanism utilised, as well as the limits for statutory auditors holding multiple offices in listed companies.

The Board of Statutory Auditors is composed of three standing members, both shareholders and non shareholders; the shareholders' meeting also appoints two alternate members.

The nomination of one standing member and one alternate member is reserved to the minority shareholders.

The appointment of the Board of Statutory Auditors is based on a slate of candidates.

Shareholders may present slates that, alone or together with other shareholders, hold at least 2.5% of the share capital, or an alternate percentage of the share capital fixed by law or regulations. With this percentage, information relating to the convocation of Shareholders' Meeting is presented.

Each shareholder, as well as shareholders through relations of control or association in accordance with the civil code or shareholder agreements, cannot present or vote on, even through interposed persons or trust companies, more than one slate.

Each candidate can be presented only on one slate at the risk of being declared ineligible.

Each slate must clearly indicate 3 (three) candidates for the office of standing auditor and 2 (two) for the office of alternate auditor.

The slates, including the information on the shareholders who present the slate and stating the total percentage of their cumulative shareholding, shall be filed at the Company's registered office at least fifteen days prior to the date established for the Shareholders' Meeting in first call; at the same time, notice of convocation will be issued.

In order to confirm the title of the shares necessary for the presentation of slates, the shareholders must file within the period prescribed in the previous paragraph, a copy of the certificate issued by the depository holding their shares at the registered office of the company, Together with each slate, within the period as indicated above, a declaration in which the individual candidates accept their candidature must be filed and they must

certify, under their own responsibility that they hold the necessary qualifications; with the declarations, the curriculum vitae of each candidate must be filed.

The candidates who do not observe the regulations above are considered ineligible.

The outcome of the voting is as follows:

1. from the slate which obtained the highest number of votes in the shareholders' meeting, based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;

2. from the slate which obtained the second highest number of votes in the shareholders' meeting, in accordance with law, the remaining standing members and the other alternate member are elected, based on the progressive order on the slate.

Based on that above, in the case of two or more lists attaining the largest number of votes, the successful slate is considered to be that which has been voted on by the highest number of shareholders, and in cases of parity, the first slate filed. The same rule applies where more than one minority slate has obtained the same number of votes.

In the case of presentation of only one slate, the candidates will be taken from that slate, and the first candidate on the slate is deemed to be the Chairman of the Board of Statutory Auditors.

In the case of the resignation of a standing auditor, the alternate auditor is taken from the same slate as the auditor replaced.

For subsequent appointments of statutory and alternate auditors needed to complete the Board, the Shareholders' Meeting appoints them in accordance with law but does not utilise the slate voting system.

15. BOARD OF STATUTORY AUDITORS

The Board of Statutory Auditors is composed of three standing and two alternate members (having the necessary professional qualifications) and must undertake its duties as prescribed by law.

Name	Office	* In office from	Slate	Independence as per Code	% part. Meeting	Other offices
Edoardo Rossini	Chairman	26.04.2007	M	Yes	100%	Standing Auditor: Banca Popolare dell'Emilia Romagna Optima SpA-SGR Arca SpA SGR
Rosa Carla Parisi	Standing member	26.04.2007	M	Yes	100%	
Francesca Pagliani	Standing member	26.04.2007	M	Yes	100%	
Gianluca Riccardi	Alternate member	26.04.2007	M			
Stefania Luppi	Alternate member	26.04.2007	M			

The Board of Statutory Auditors was appointed by the ordinary shareholders' meeting on April 26, 2007 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 Board of Statutory Auditors met five times in 2008; table 2 attached shows the participation of each member.

The Board of Statutory Auditors also attended all of the meetings of the Board of Directors and verified the continued independence of its members, as required by the Self-Governance Code of the Italian Stock Exchange.

All of the Board's activities are coordinated with the Internal Control Committee, and at every meeting of the Committee, as detailed at point 11), at least one representative of the Board attends, who subsequently reports to the other members.

16. 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 Chief Executive Officer 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 www.granitifiandre.it and of the "Financial Area" section which contains, in particular, all the press releases and financial documents.

17. SHAREHOLDER MEETINGS

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 participation at the Shareholders' Meetings, the shareholder must file, 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 passes resolutions 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.

Finally, GranitiFiandre has shareholder meeting procedure regulations.

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.

18. CHANGES SUBSEQUENT TO THE YEAR-END

There have been no changes made to the corporate governance of the Group since the year-end.

The Board of Directors proposes to update, whenever necessary, the system of Corporate Governance in order to ensure transparency and equilibrium between the management and control of the corporate assets. The Board will communicate in a timely manner, in the manner and the terms prescribed by law, the information related to the changes of its Corporate Governance system.

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.

ATTACHMENT B



INTERNAL DEALING
CODE OF CONDUCT

April 2006

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.

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.