



PROCEDURE FOR THE GOVERNANCE OF TRANSACTIONS WITH RELATED PARTIES

Document approved by the Board of Directors of GranitiFiandre S.p.A. on November 12, 2010

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PROCEDURE FOR THE GOVERNANCE OF TRANSACTIONS WITH RELATED PARTIES

(IN ACCORDANCE WITH ART. 2391BIS OF THE CIVIL CODE AND CONSOB REGULATION
ADOPTED WITH RESOLUTION NO. 17221 OF MARCH 12, 2010)

1 – SUBJECT

The present regulation establishes the principles which Granitifiandre S.p.A. will implement in order to ensure the transparency and procedural and substantial correctness of transactions with related parties carried out directly or through subsidiary companies

2 – IDENTIFICATION OF RELATED PARTIES

For the purposes of the present procedure, related parties of Granitifiandre S.p.A. include those who:

- (a) directly, or indirectly, also through subsidiary companies, trustees or nominees:
 - (i) controls the Company, is controlled by the company, or under common control¹;
 - (ii) holds a stake in the Company sufficient to exercise a significant influence²;

¹ Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

¹Control is presumed to exist when a party holds, directly or indirectly through its subsidiaries, more than half of the voting rights of an entity except, in exceptional circumstances, it can be clearly demonstrated that this holding does not constitute control. Control also exists when a party owns half or less of the voting power of an entity when there is:

- (a) control of more than half of the voting rights in virtue of an agreement with other investors;
- (b) power to govern the financial and operating policies of the entity under a statute or an agreement;
- (c) the power to appoint or remove the majority of the members of the board of equivalent governing body and control of the entity is by that board or body;
- (d) power to cast the majority of votes at meetings of the board of directors or equivalent governing body and control of the entity is by that board or body.

Joint control is the contractually agreed sharing of control over an economic activity.

² Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies. Significant influence may be gained by share ownership, statute or agreement.

If an investor holds, directly or indirectly (e.g. through subsidiaries), 20 per cent or more of the voting power of the investee, it is presumed that the investor has significant influence, unless it can be clearly demonstrated that this is not the case. Conversely, if the investor holds, directly or indirectly (e.g. through subsidiaries), less than 20 per cent of the voting power of the investee, it is presumed that the investor does not have significant influence, unless such influence can be clearly demonstrated. A substantial or majority ownership by another investor does not necessarily preclude an investor from having significant influence.

The existence of significant influence by an investor is usually evidenced in one or more of the following ways:

- (a) representation on the board of directors or equivalent governing body of the investee;
- (b) participation in policy-making processes, including participation in decisions about dividends or other distributions;
- (c) material transactions between the investor and the investee;
- (d) interchange of managerial personnel;
- (e) provision of essential technical information.

- (iii) exercise control of the Company jointly with other parties;
- (b) are an associated company³;
- (c) are a joint venture⁴ in which the company is involved;
- (d) are key management personnel with strategic responsibilities⁵ of the Company or one of its subsidiaries;
- (e) are a close family member⁶ of one of the parties defined at (a) or (d);
- (f) are an entity in which one of the parties at (d) or (e) exercises control, joint control or significant influence or holds, directly or indirectly, a significant holding – in any case not less than 20% - of the voting rights;
- (g) are a complementary, collective or individual pension fund, Italian or foreign, created on behalf of Company employees, or any other related entity.

3- IDENTIFICATION OF TRANSACTIONS WITH RELATED PARTIES

For the purposes of the present procedure, a related party transaction is a transfer of resources, services or obligations between related parties, regardless of whether a payment was made.

They therefore include:

- merger operations, spin-off by incorporation or non proportional spin-off, where carried out with related parties;
- all decisions relating to the allocation of remuneration or benefits, in any form, to members of the corporate boards and key management personnel with strategic responsibilities.

4 – IDENTIFICATION OF SIGNIFICANT TRANSACTIONS WITH RELATED PARTIES

For the purposes of the present procedure, significant transactions with related parties (hereafter only “significant transactions”) are those in which at least one of the following significance ratios, applicable according to the specific transaction, is higher than the 5% threshold:

³ An associated company is an entity, even without legal personality, as in the case of partnerships, in which one shareholder exercises significant influence but not control or joint control.

⁴ A joint venture is a contractual arrangement whereby two or more parties undertake an economic activity that is subject to joint control.

⁵ Key management personnel are those persons having authority and responsibility for planning, directing and controlling the activities of the entity, directly or indirectly, including any director (whether executive or otherwise) of that entity.

⁶ Close family members of an individual are those family members who may reasonably be expected to influence, or be influenced by, that individual in their dealings with the entity.

They may include:

- (a) a non-legally separated spouse or a co-habitee;
- (b) children or dependants of the individual, of the non-legally separated spouse or of a co-habitee.

a) Significant value ratio: is the ratio between the value of the transaction and the net equity according to the most recent consolidated balance sheet published by the Company or, if higher, the capitalisation of the Company on the last trading day of the most recent published periodic accounts.

If the economic conditions of the transaction have been agreed, the value of the transaction is identified as:

- i) for the cash components, the amount paid to/from the counterparty;
- ii) for the components comprised of financial instruments, the fair value at the date of the transaction in accordance with international accounting standards adopted under EU regulation No.1606/2002;
- iii) for financing transactions or the provision of guarantees, the maximum amount issuable.

If the economic conditions of the transaction have in full or in part not yet been established, the value of the transaction is the maximum value receivable or payable under the agreement.

b) Asset size ratio: is the ratio between total assets of the counterparty to the transaction and the total assets of the Company. The most recent consolidated balance sheet published by the Company will be utilised; if possible, similar data for the determination of the total assets of the counterparty to the transaction will be utilised.

For acquisition or sale operations of holdings in companies which have effects on the consolidation scope, the numerator value will be the total assets of the investee, independently of the percentage of capital subject to the transaction.

For acquisition or sale operations of holdings in companies which do not have an effect on the consolidation scope, the numerator value will be:

- i) in the case of acquisitions, the value of the transaction increased by the liabilities of the company assumed by the acquirer;
- ii) in the case of sales, the payment price of the assets sold.

For purchase or sale operations of other assets (other than the acquisition of a holding), the numerator value will be:

- i) in the case of purchases, the higher between the price paid and the book value which will be attributed to the asset;
- ii) in the case of sales, the book value of the asset.

c) Liability size ratio: is the ratio between the total liabilities of the entity acquired and the total assets of the Company. The data utilised will derive from the most recent consolidated balance sheet published by the Company; if possible, similar data will be utilised for the determination of the total liabilities of the company or the business unit acquired.

When a transaction is identified as “significant” according to the ratios outlined above and this result appears obviously unjustifiable in consideration of the specific identifiable circumstances, the Company reserves the right to request Consob to indicate alternative methods to calculate the above-stated ratios, communicating before the conclusion of the negotiations the essential characteristics of the transaction and the specific circumstances on which the request is based.

5- IDENTIFICATION OF TRANSACTIONS WITH RELATED PARTIES EXEMPT FROM THE APPLICATION OF THE PRESENT PROCEDURE

5a. The provisions of the present procedure are not applied to shareholder meeting resolutions pursuant to article 2389, first paragraph, of the civil code, relating to remuneration paid to the members of the Board of Directors, nor to resolutions concerning the remuneration of directors assigned specific duties within the overall amounts previously determined by the shareholders' meeting in accordance with article 2389, paragraph three, of the civil code. The provisions of the present procedure are also not applied to shareholder meeting resolutions pursuant to article 2402 of the civil code, relating to remuneration of members of the Board of Statutory Auditors.

As the Company has adopted a remuneration policy and the Board of Directors has constituted a remuneration committee comprised exclusively of non-executive directors, a majority of whom independent, also resolutions other than those indicated in the previous paragraph relating to remuneration of directors and directors assigned specific duties, as well as other key management personnel with strategic responsibilities, will be exempt from the application of the present procedure on the condition that:

- i) a report illustrating the remuneration policy is previously submitted for approval or voting by the shareholders' meeting;
- ii) the remuneration allocated is in line with this policy.

The provisions of the present procedure are not applied to remuneration plans based on financial instruments approved by the shareholders' meeting in accordance with article 114-bis of Legislative Decree No.58/1998 and the relative executive operations.

5b. The provisions of the present procedure are not applied to:

- i) ordinary transactions, therefore transactions which fall under the ambit of the ordinary exercise of operating activities of the Company or related financial activities, which are concluded at market or standard conditions; the exemption is applicable also for significant transactions which are not of a size significantly greater than that usually characterising similar transactions carried out by the Company;
- ii) small transactions, therefore transactions which do not exceed the 0.5% significant value threshold of assets or liabilities as defined by the preceding paragraph 4) and which, in any case, do not exceed in terms of their absolute value Euro 200,000.

5c. The provisions of the present procedure are not applied to transactions with or between subsidiary companies, also jointly held, as well as transactions with associated companies, where no interests, qualifiable as significant, of other related parties of Granitifiandre, are identified in the subsidiary or associated company counterparties.

Therefore the following are not considered as significant interests:

- i) a simple shareholding in the subsidiary or associated company by other subsidiaries of the Company or an associated company;
- ii) from merely sharing one or more directors or other key management personnel with strategic responsibilities between the Companies and the subsidiary or associated companies.

For the present purposes, significant interests are not considered if holdings in the subsidiary or associated companies are held, even indirectly, by the party which controls Granitifiandre, under condition that the effective share of the holding is not greater than the effective share of the holding held by the same party in Granitifiandre. To value the effective share, the direct holdings are weighted for the totality, while those indirect are weighted

according to the percentage of the share capital held in the subsidiary companies through which the holding in the related party is held; wherever the holding in the related party includes other interests, these interests are considered together with those relating to the holding and calculated according to its effective weight.

6 – IDENTIFICATION OF MINOR TRANSACTIONS WITH RELATED PARTIES

For the purposes of the present procedure, minor transactions with related parties (hereafter only “minor transactions”) concern those in which the value ratios of the assets or liabilities, as defined in the previous paragraph 4, come under the thresholds, respectively of 0.5% and of 5% as well as those which, although lower than the 0.5% threshold, exceed in terms of their absolute value Euro 200,000.

7 – AMBIT OF THE APPLICABLE PROCEDURE

Given that Granitifiandre is considered a small-sized company as neither the assets on the balance sheet or the revenues, recorded in the last approved consolidated financial statements, exceed Euro 500 million, the Company, availing of the faculty afforded by article 10, paragraph 1, of CONSOB Regulation No.17221/2010, applies the same procedure to both significant transactions and minor transactions as defined by the previous paragraphs 4 and 6 (hereafter governed by paragraphs 8 and 9).

8- PROCEDURE APPLICABLE BOTH TO SIGNIFICANT AND MINOR TRANSACTIONS

In accordance with article 14 of the By-Laws, transactions with related parties, both significant and minor, are the sole responsibility of the Board of Directors of the Company.

The Board of Directors of Granitifiandre constitutes an internal Committee called the Committee for Transactions with Related Parties (hereafter also the Committee), comprising exclusively non executive and non related directors, the majority of whom independent.

All members of the Board of Directors must be provided complete and adequate information, in a timely manner, and in any case at least 10 days before the Board of Directors meeting called for the discussion and approval of the transaction. When the transaction conditions are established at market or standards conditions, the documentation must contain objective corroborated evidence.

Within the 3 days before the Board of Directors meeting called for the discussion and approval of the transaction, the Committee communicates to the members of the Board of Directors a non binding opinion on the interest of the Company deriving from the conclusion of the transaction as well as on the benefit and substantial correctness of the relative conditions. The drawing up by the Committee of this opinion may be assisted by one or more chosen independent experts, whose maximum remuneration by the Company for each individual transaction is established at Euro 20,000.

In the case of individual transactions submitted for the approval of the Board of Directors in which the Committee does not comprise at least two non related independent directors, the drawing up of the non binding opinion in accordance with the preceding paragraph must be carried out by the non related independent director, if present, or if not present, by an

independent expert appointed by the Board of Statutory Auditors, whose maximum remuneration by the Company is established at Euro 20,000.

The approval resolutions of the transaction must sufficiently be based on the interests of the company as well as the favourable and substantial correctness of the relative conditions.

The parties delegated to execute the approved transaction in accordance with the previous paragraphs must provide the Board of Directors and the Board of Statutory Auditors a complete disclosure quarterly in relation to the transaction in question and its developments and results.

In relation to approved transactions which however receive an unfavourable opinion from the Committee, in accordance with article 114, paragraph 1, of Legislative Decree No.58/1998, the Company will make available to the public, within 15 days of the end of quarter, at the registered office and in the manner indicated in Section II, Paragraph I, of the Issuers' Regulations, a document identifying the counterparty, the subject and the amount of the transactions approved in the quarter, the opinion of the Committee and the reasons for which the Board of Directors did not agree with the opinion.

9 – ESTABLISHMENT OF THE INDEPENDENCE OF DIRECTORS

Given that Granitifiandre complies with, in accordance with article 123 bis, paragraph 2, of Legislative Decree No.58/1998, the "Self-Governance Code of Listed Companies" published in March 2006 by the Corporate Governance Committee of Borsa Italiana, for the purposes of the procedure covered in the previous paragraph 8, independent directors refer to, in line with principle 3) established in the above-stated Self-Governance Code, non executive directors who do not undertake nor have recently undertaken, even indirectly, with the Company or with related parties, relations which would affect their independence of judgment.

In particular, a director is usually considered non independent in the following circumstances:

- a) if, directly or indirectly, including through subsidiaries, trustees or nominees, they control Granitifiandre or are capable of exercising significant influence, or participate in a shareholder agreement through which one or more parties can exercise control or significant influence on the Company;
- b) if they are, or were in the previous three years, a senior representative of Granitifiandre or of one of its subsidiaries with strategic importance or of a company subject to common control, or of a company or of a body that, even together with others through a shareholder agreement, controls the company or is able to exercise significant influence;
- c) if, directly or indirectly, has or has had in the previous year a significant commercial, financial or professional relationship with Granitifiandre, a subsidiary, or with any senior representatives, or if he/she is or was in the previous three years an employee of one of the above-stated parties;
- d) if they receive or have received in the previous three years, from Granitifiandre or a subsidiary or parent company, a significant additional remuneration other than the "fixed" fee of non-executive director of the company, including incentive participation plans relating to the performance of the company, including share-based payments;
- e) if a director of the Company for more than nine years of the past twelve years;
- f) if they are an executive director in another company in which an executive director of Granitifiandre is a director;

g) if they are a shareholder or director of a company or of an entity belonging to the network of the auditors of Granitifiandre;

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

For the purposes described above, senior representatives of Granitifiandre include the Legal Representative, the Chairman of the Board of Directors, the Executive Directors and key management personnel with strategic responsibilities.

10 – PROCEDURES APPLICABLE TO RELATED PARTY TRANSACTIONS GOVERNED BY THE SHAREHOLDERS' MEETINGS

When a transaction with related parties, either significant or minor, is within the remit of the shareholders' meeting or must be approved by the meeting, the proposal to be submitted to the shareholders' meeting must be approved by the Board of Directors under the procedure outlined in the previous paragraph.

11 – PROCEDURE APPLICABLE TO SET RESOLUTIONS

The Board of Directors may adopt set resolutions relating to a series of similar transactions with related parties, in compliance with the procedure established in the previous paragraph 8, on the condition that they do not have duration of over one year and refer to sufficiently defined transactions, reporting at least the forecasted maximum amount of the transaction to be carried out in the period and the reasons for the established conditions.

For individual transactions concluded under the set resolution the provisions of the preceding paragraph 8 are not applicable.

12- COMMUNICATIONS

In relation to Significant Transactions with Related Parties, also concluded through Italian or foreign subsidiaries, Granitifiandre in accordance with the disclosure requirements of article 114, paragraph 1 of the CFA, prepares a disclosure document as per Attachment 4 of the CONSOB Regulation. The disclosure document is made available to the public at the registered office and in the manner set out by Section II, Paragraph 1 of CONSOB Resolution No.11971/99 within 7 days of the approval by the Board of Directors of the Significant Transactions with Related Parties or, where the Board of Directors agrees to present a contractual proposal, from the moment in which the contract, even preliminary, is concluded, based on the applicable procedure.

The Company also prepares the disclosure document as per Attachment 4 of the CONSOB Regulation where, if in the course of the year, transactions are concluded with the same related party or related parties to these or GranitiFiandre of a similar nature, or carried out in a similar manner, although not individually quantifiable as Significant Transactions with Related Parties, exceeding, if considered cumulatively, the significance thresholds indicated in accordance with the definition of Significant Transactions with Related Parties. In this latter case, the disclosure document is made available to the public at the registered office and under the manners established by Section II, Paragraph 1 of CONSOB Resolution No.11971/99 within 15 days of

approval of the transaction or the conclusion of the contract which results in the significance thresholds being exceeded and contains information, also aggregated based on similar transactions, on all of the transactions considered. Whenever the transactions which result in the exceeding of the significance thresholds are carried out by subsidiaries of GranitiFiandre, the disclosure document is made available to the public within 15 days from the moment in which GranitiFiandre became aware of the approval of the transaction or the conclusion of the contract. Within the same terms indicated above the Company makes available to the public any opinions of independent directors or independent experts. In the case of the opinions of the independent experts, the Company, justifying their decision, can decide to publish only the elements indicated in Attachment 4 of CONSOB Regulation. With an unfavourable opinion of the Committee of Non Related Independent Directors, the Company makes available to the public, in accordance with article 114, paragraph 1, of the CFA, within 15 days of the end of the quarter, at the registered offices of the Company and in the manner established by Section II, Paragraph 1, a document identifying the counterparty, the subject and the amount of the transactions approved in the quarter with indication of the reasons for which the opinion was not agreed with.

The Company also undertakes to include in the interim report and in the annual report the information on Transactions with Related Parties.

13 – PUBLICATION ON THE INTERNET SITE

The present procedure will be published on the internet site of the Company:

"<http://www.granitifiandre.it>"