



**BOARD OF DIRECTORS REPORT  
ON THE CORPORATE GOVERNANCE SYSTEM  
AND ON COMPLIANCE WITH THE  
SELF-REGULATING CODE FOR LISTED COMPANIES  
WITH REFERENCE TO FINANCIAL YEAR 2007**

**(DRAFTED PURSUANT TO ARTICLES 123-bis AND 124-bis OF THE TUF,  
89-bis OF THE ISSUERS' REGULATIONS, AND I.A.2.6. OF THE  
STOCK MARKET REGULATION INSTRUCTIONS)**

**Approved by the Board of Directors of Ansaldo STS S.p.A.  
dated 13 March 2008**

## GLOSSARY

<b>Code</b>	The Self-regulating Code for listed companies approved in March 2006 by the Committee for Corporate Governance and promoted by Borsa Italiana S.p.A. [Italian Stock Market]
<b>Board</b>	The Board of Directors of Ansaldo STS
<b>Financial year</b>	Financial year 2007
<b>Group</b>	Ansaldo STS and its subsidiary companies pursuant to article 93 of the TUF
<b>Instructions relating to the Stock Market Regulations</b>	The Instructions relating to the Regulations of the Markets organised and managed by Borsa Italiana S.p.A.
<b>Stock Market Regulations</b>	The Regulations of the Markets organised and managed by Borsa Italiana S.p.A.
<b>Issuers' Regulations</b>	The Regulations issued by CONSOB in its pronouncement No. 11971 of 14 May 1999 relating to issuers, as subsequently amended and supplemented
<b>Report</b>	This corporate governance report drafted pursuant to articles 123-bis and 124-bis of the TUF, 89-bis of the Issuers' Regulations and article IA.2.6 of the Instructions relating to the Stock Market Regulations
<b>Company</b>	Ansaldo STS S.p.A. ("Ansaldo STS")
<b>TUF</b>	Legislative Decree No. 58 of 24 February 1998, as subsequently amended and supplemented

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## 1. THE ISSUER'S PROFILE

The organisation of Ansaldo STS, based on the traditional model, complies with regulatory provisions relating to listed issuers and is structured as follows:

### 1.1 ORGANISATION OF THE COMPANY

- **SHAREHOLDERS MEETING.** The Shareholders Meeting is competent to adopt resolutions, in both ordinary and extraordinary meetings, on matters reserved for it by law or by the Articles of Association.
- **BOARD OF DIRECTORS.** The Board of Directors has the widest powers for the Company's management, with the right to take all appropriate actions to achieve the company's objects, with the exception of actions which law or the Articles of Association reserve for the Meeting.
- **BOARD OF AUDITORS.** The Board of Auditors has the task of monitoring:
  - compliance with the law and with the Articles of Association, and observance of the principles of correct administration;
  - the suitability of the Company's organisational structure, the internal control system and the administrative accounting system, also with regard to the reliability of the latter in terms of correctly representing management actions;
  - the way in which the rules for management of the company are actually implemented as defined in the code of conduct drafted by regulated markets management companies or by sector associations to which the company declares that it subscribes by means of a public statement;
  - the adequacy of the instructions issued to the subsidiary companies with reference to the information to be supplied in order to fulfil the communication obligations.
- **AUDITING FIRM:** The accounting activities are performed by a specialist firm registered with CONSOB, duly appointed by the Shareholders Meeting in consultation with the Board of Internal Auditors. The firm appointed for auditing the accounts of Ansaldo STS performs the same function for almost all Ansaldo STS's subsidiaries.

### 1.2 COMPANY OBJECTIVES AND MANDATE

Ansaldo STS intends to maintain and consolidate its position as a leading international competitor in the railway and underground railway transport systems sector. In particular the Company operates (i) in the sector concerned with the design, production, distribution, management and maintenance of railway and underground railway signalling and monitoring systems, sub-systems and component ("Signalling"), aimed at increasing the safety and efficiency of railway and underground transport systems, and (ii) in the design, production, integration and maintenance of "turnkey" Transport Systems of which Signalling Systems form an essential part.

Ansaldo STS pursues its mission rigorously complying with its objective of creating value for its Shareholders.

## 2. INFORMATION ON THE COMPANY EQUITY AS AT 13.3.2008

### 2.1 STRUCTURE OF THE COMPANY CAPITAL

The sum of the subscribed and paid up company capital in euros is:

- > €50,000,000.00 fully paid up

The company capital consists of the following share categories:

- > 100,000,000 ordinary shares with a unit value of €0.50.

	<b>Number of shares</b>	<b>% of the company capital</b>	<b>Listed (state the markets) / not listed</b>	<b>Rights and Obligations</b>
Ordinary shares	100,000,000	100	Listed MTA Star	Voting rights at ordinary and extraordinary meetings, entitlement to dividends and to repayment of the capital in the event of liquidation
Shares with limited voting rights	-	-	-	-
Shares without voting rights	-	-	-	-

Ansaldo STS has not issued other categories of shares or convertible financial instruments or instruments that may be exchanged for shares.

On 13 February 2008 the Board of Directors convened an Ordinary Shareholders Meeting for 31 March 2008 at first call, and for 1 April 2008 at second call, and on 13 March 2008 it approved the Meeting's proposal for the adoption of a plan for the free allocation of shares for years 2008-2009-2010 intended for the Managing Director, the Vice Chairman and certain Company's directors and those of its subsidiaries. The shares at the service of this plan will be made available using already issued shares or shares that the Company must issue free of charge pursuant to article 2349 of the Italian Civil Code. Both options will be the subject of specific shareholders meeting resolutions. In this regard it should be noted that the agenda for the aforesaid Ordinary Meeting will include authorisation for the acquisition of treasury shares. For further information on the free-of-charge allocation plan please see the informative document drafted pursuant to article 84-bis of the Issuers' Regulations available at the registered office of the Company, on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com) and at Borsa Italiana S.p.A.

## 2.2 RESTRICTIONS ON THE TRANSFER OF SECURITIES

At the date of this Report there are no restrictions of any kind on the transfer of Ansaldo STS securities.

## 2.3 SIGNIFICANT PARTICIPATIONS IN THE CAPITAL

At the date of this Report, on the basis of the information provided in the Shareholders Books, and taking into account the communications received pursuant to article 120 of the TUF and other information obtained, it is noted that Company shares are owned, directly or indirectly, in a proportion equal to or greater than 2% of the company capital by the following companies:

Declared by	Direct shareholder	% quota in the ordinary capital	% quota in the voting capital
Banca Popolare di Milano S.c.r.l.	Banca Akros S.p.A.	2.249% <sup>1</sup>	2.249%
Banca Popolare di Milano S.c.r.l.	Banca Popolare di Milano S.c.r.l.	0.001% <sup>2</sup>	0.001%
Altrisinc Global Advisors LLC	Altrisinc Global Advisors LLC	2.092% <sup>3</sup>	2.092%
Fidelity International Limited	Fidelity International Limited	2.040% <sup>4</sup>	2.040%
Finmeccanica S.p.A.	Finmeccanica S.p.A.	40.065%	40.065%
FMR LLC	FMR LLC	2.076% <sup>5</sup>	2.076%
Gandhara Advisors	Gandhara Advisors	2.016% <sup>6</sup>	2.016%
Europe LLP (in its capacity as manager of the Gandhara Master Fund Limited fund)	Europe LLP		
UBS AG	UBS AG	2.75% <sup>7</sup>	2.75%

Ansaldo STS is subject to the management and coordination activities performed by Finmeccanica S.p.A., in accordance with and for the purposes of article 2497 of the Italian Civil Code.

## 2.4 SECURITIES CONFERRING SPECIAL RIGHTS

<sup>1</sup> Ownership status: (i) 1.349% ownership and (ii) 0.900% lender without voting rights

<sup>2</sup> Ownership status: pledgee

<sup>3</sup> Ownership status: management of savings. % share without voting rights: 0.302%

<sup>4</sup> Ownership status: management of savings

<sup>5</sup> Ownership status: management of savings

<sup>6</sup> Ownership status: management of savings

<sup>7</sup> Ownership status: management of savings

The Company has not issued securities that confer special control rights.

## **2.5 SHARE OWNERSHIP BY EMPLOYEES: PROCEDURE FOR EXERCISING VOTING RIGHTS**

At the date of this Report the Stock Grant Plan 2006 – 2007 is in the process of being implemented; this Plan contemplates the free-of-charge allocation of Ansaldo STS shares to the Managing Director, the Vice Chairman and certain directors of Ansaldo STS and those of its subsidiaries. However, that plan does not envisage the exercising of voting rights inherent in the shares allocated by entities other than the intended recipients under said plan. For the sake of completeness it should be noted that on 13 March 2008 the Company's Board of Directors proposed to the Ordinary Meeting convened for 31 March 2008 at first call, and 1 April 2008 at second call, that it adopt a plan for the free-of-charge allocation of Ansaldo STS shares for years 2008-2010, also intended for the Managing Director, the Vice Chairman and for certain directors of Ansaldo STS and those of its subsidiaries. The plan does not envisage that the voting rights inherent in the shares should be exercised by entities other than the intended recipients under the plan. For further information on this plan, please refer to the informative documents drafted pursuant to article 84-bis of the Issuers Regulations published on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

## **2.6 RESTRICTIONS ON VOTING RIGHTS**

At the date of this Report there are no restrictions or terms imposed for exercising voting rights. Nor are there any financial rights connected with the securities separate from ownership of the securities.

## **2.7 AGREEMENTS BETWEEN SHAREHOLDERS**

At the date of the Report no agreements are known to exist of the type contemplated in article 122 of the TUF, with reference to the Company's shares.

## **2.8 APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENT OF THE ARTICLES OF ASSOCIATION**

For detailed information on the appointment and replacement of directors see Part 4, paragraph 4.1.1, of the Report (*"Information on implementation of the provisions of the Self-regulating Code. Board of Directors. Appointment"*).

With regard to the statutory clauses relating to amendment of the articles it is noted that the Articles of Association do not contain any provisions other than those contemplated in the regulations in force.

It should also be noted that, in accordance with the provisions of article 2365 of the Italian Civil Code, the Articles of Association confer on the Company's Board of Directors competence to adopt resolutions in order to bring the Articles of Association into line with the regulatory provisions.



## **2.9 AUTHORISATION TO INCREASE THE COMPANY CAPITAL AND AUTHORISATION TO ACQUIRE TREASURY SHARES**

In accordance with article 5.4 of the Articles of Association, the Board of Directors of Ansaldo STS has the right, up to 1 December 2010, and in accordance with article 2443 of the Italian Civil Code, to increase the company capital, in one or more tranches, by means of payment – also divisible - of a sum up to a maximum of €60,000,000.00, through the issue of ordinary shares, to be offered as an option to those entitled to exercise such a right. The Board of Directors is thus authorised to determine all the terms, procedures and conditions for each capital increase, including the number of ordinary shares to be issued, and the corresponding size of the increase in capital and, in accordance with the regulations in force, the formalities for the offer.

In exercising its powers the Board of Directors may decide on increases in the company capital with the exclusion of the option right contemplated in article 2441, paragraph 4, of the Italian Civil Code, within a limit of 10% of the existing company capital, provided the issue price corresponds to the market value of the shares and this is confirmed in a corresponding report issued by the firm responsible for auditing the accounts, taking into account the provisions of article 2441, paragraph 6, of the Italian Civil Code.

The increase in capital, with the exclusion of the option right, may be addressed to institutional investors, and to industrial and/or financial partners, who because of their activities and the size of their commercial enterprise (factors which will be certified by the Board of Directors in its report pursuant to article 2441, paragraph 6, of the Italian Civil Code) are deemed of strategic importance for the Company's activities.

With regard to acquisition of treasury shares it is pointed out that on 22 May 2007 the Ansaldo STS Ordinary Shareholders Meeting authorised the Board of Directors to acquire and dispose of a maximum number of 1,000,000 ordinary Ansaldo STS shares for the purpose of the performance share plan for years 2006 and 2007, targeted at those resources deemed invaluable for the Company or for its subsidiaries. This authorisation was granted for a period of 18 months as from the date of the resolution, i.e. until 22 November 2008. For the sake of completeness, we wish to point out that, on 13 March 2008, the Board of Directors resolved to propose to the Ordinary Meeting convened for 31 March 2008 at first call, and for 1 April 2008 at second call, that it authorise the acquisition of treasury shares, which could also be for the benefit of the aforesaid performance share plan, up to the maximum permitted by law and thus up to 10% of the existing company capital, taking into account the treasury shares owned by the Company itself and by its subsidiaries.

At the date of this Report Ansaldo STS S.p.A. held 38,785 of the Company's ordinary shares.

## **2.10 CHANGE OF CONTROL CLAUSES**

Ansaldo STS has entered into a licence agreement with Finmeccanica S.p.A. for use of the "Ansaldo" brand name and a licence agreement for use of the "Globo" brand name, a distinctive mark for the whole Finmeccanica Group (referred to jointly as the "Brand Names"), on 27 December 2005 and 6 July 2007 respectively.

Both licence agreements confer on Finmeccanica S.p.A. the right of withdrawal in the event of a change in the Ansaldo STS' shareholder structure such that it would entail loss of control on the part of Finmeccanica S.p.A, pursuant to article 2359 of the Italian Civil Code.

Ansaldo STS has in turn sub-licensed the Brand Names to its subsidiaries, reserving the right, in a similar way to the provisions contained in the main licence agreement, to withdraw from said agreement in the event of loss of control pursuant to article 2359 of the Italian Civil Code.

On 28 September 2007 Ansaldo Trasporti Sistemi Ferroviari S.p.A., a company directly controlled by Ansaldo STS, signed a deed with the Municipality of Naples referred to as the 6<sup>th</sup> Integrated Modifying and Supplementary Deed to the 5<sup>th</sup> Integrated Deed with regard to construction of Line 6 of the Naples Underground Railway ("Integrated Deed"). The Licence Agreement to which said Integrated Deed refers provides that "*In the event of cessation of the Licence Holder, dissolution of the Company, the incorporation of or merger with other Companies from outside the Group, the Licensing Entity will reach a decision regarding the immediate lapsing of the licence*".

#### **2.11.1 DIRECTORS' REMUNERATION IN THE EVENT OF RESIGNATION, DISMISSAL OR CESSATION OF THE RELATIONSHIP FOLLOWING A PUBLIC ACQUISITION OFFER**

At the date of this Report no agreements had been entered into between Ansaldo STS and the directors containing provisions for compensation in the event of resignation or dismissal/withdrawal without just cause or in the event of cessation of the employment relationship following a public acquisition offer.

### **3. STRUCTURE OF ANSALDO STS'S GOVERNANCE**

#### **3.1 PRELIMINARY COMMENTS**

By means of a Board of Directors' resolution of 19 December 2006, Ansaldo STS subscribed to the Self-regulating Code adopted by the Italian Stock Exchange in March 2006. During the course of 2007 the Company completed the process of adjusting to the provisions stipulated in the Code. This system of company governance defines as the primary objective the creation of value for shareholders, in the context of awareness of the relevance of transparency regarding choices made and decisions taken within the Company, and the need to ensure an effective internal control system. Further measure aimed at improving the governance system are in the process of being implemented and others will be assessed for the ongoing updating of the system in line with national and international best practice.

In compliance with the applicable regulations, the Report illustrates the system of "Corporate Governance" adopted by Ansaldo STS and states the specific procedures for the Company's compliance with the Code's provisions.

#### **3.2 MAIN INSTRUMENTS OF GOVERNANCE**

Below is a list of the main instruments of governance adopted by the Company, also in accordance with the most recent requirements and regulatory provisions, and the provisions of the Code of national and international best practice:

- The Articles of Association
- The Code of Conduct
- The Organisation, Management and Control Model per Leg. Decree No. 231/01
- The Rules governing the Board of Directors
- The Rules governing the Internal Control Committee
- The Rules governing the Remuneration Committee
- The Guidelines and Criteria for identification of significant transactions with Associated Parties – Principles of Conduct
- The Regulations governing the management of Confidential Information and the establishment of the Register of persons who have access to said information
- The Internal Dealing Code
- The Rules governing Meetings

These documents are available to the public on the Company's website at: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

## **4. INFORMATION ON IMPLEMENTATION OF THE PROVISIONS OF THE SELF-REGULATING CODE**

### **4.1 BOARD OF DIRECTORS**

#### **4.1.1 APPOINTMENT**

The Company is managed by a Board of Directors consisting of no fewer than seven and no more than thirteen members. Before proceeding to elect the board members, the Meeting will from time to time determine the number of members within the aforementioned limits.

Directors are appointed for a period not exceeding three financial years and may be re-elected pursuant to article 2383 of the Italian Civil Code.

The appointment of directors is carried out by the Ordinary Shareholders Meeting by means of list-based voting. The submission of lists may take place on the initiative of the outgoing Board of Directors or of the shareholders who, alone or together with other shareholders, are in possession of the quota specified in accordance with CONSOB regulations (for year 2008 this is equal to 2.5% of Ansaldo STS' company capital).

Taking into account the publicity obligations set forth in the Issuers' Regulations, the lists submitted by the outgoing Board and by the shareholders must be filed at the registered office of the company and published in at least three Italian daily newspapers with national distribution, two of which must be financial publications, at least twenty days and fifteen days respectively before the date scheduled for the Meeting at first convocation.

In order to prove ownership of the necessary number of shares for the submission of lists, shareholders must file at the registered office of the company, together with the list of candidates, the appropriate certificate proving ownership of the number of shares represented and the right to take part at the Meeting.

List will only be deemed valid if they include two candidates who satisfy the criteria of independence stipulated by law, expressly identifying them and entering one of them in first place in the list.

In order to ensure the actual participation of minorities on the Company's management, and the transparency of the process for the selection and appointment of directors, the Articles of Association expressly require that each shareholder may submit or join with others to submit a single list and may vote only on the basis of that list. Shareholders who joint together to form a syndicate, whatever its form and the objective of the agreement reached between them, may not – either through an intermediary or through a trust company – submit or join together to submit more than one list. Violation of the aforementioned prohibitions will render the list null and void and the names listed therein will not be eligible for election.

Together with each list, within the respective terms stated above, it is also necessary to file statements whereby the individual candidates agree to their candidacy and provide a formal certification that there are no reasons against their being elected, and no conflicts of interests, and that they satisfy the requirements of the existing legislation and of the Articles of Association for the respective positions.

Each candidate may be proposed only in a single list, otherwise he/she will not be eligible for election.

The Articles of Association also require that in order to take up a position as director – in addition to the requirements of honourable conduct contemplated in the appropriate standards and regulatory provisions – candidates must also fulfil certain professional criteria set forth in the context of said Articles of Association.

In particular, they may not be appointed to the position of a director of the Company – and if they are elected may not assume that role – if they have not acquired at least three years' experience overall in the following areas:

- management or control activities or managerial functions for capital companies with company capital of not less than two million euros; or
- professional or university teaching activities in legal, economic, financial and technical/scientific subjects closely related to the Company's activities; or
- managerial functions with public bodies or public administrations operating in the credit, financial and insurance sectors or at least in sectors closely related to that of the Company's activities.

This experience may be assessed on the basis of the CVs containing complete information on the personal and professional details of each candidate, which must be made available to the public, together with each list, pursuant to article 144-octies, paragraph 1, of the Issuers' Regulations.

In order to be deemed valid the lists submitted by the shareholders, either alone or together with others, who have submitted a list of candidates in accordance with the above requirements, the intermediary's notification for the intervention during the meeting will be accompanied by a declaration issued by all the shareholders who have submitted or seconded the submission of the list, stating that the shares declared for the purpose of submitting the list have been continuously in their possession since the date of submission of the list. This declaration must be filed at the Company's registered office by the expiry date for the submission of said notification. If the event on a meeting at second convocation, the above procedures will be repeated on the same terms, failing which the list will not be deemed valid.

The election of directors will take place as follows: (i) two thirds of the directors are elected from the list that has obtained the greatest number of votes cast by the shareholders, and in the progressive order in which they are entered in the list, this number being rounded down if it is not a whole number; (ii) the remaining directors will be taken from the other lists in accordance with the criteria and procedures stated in the Articles of Association.

In the event that a single list is submitted, or if no list at all is submitted, the Meeting will resolve on a majority vote basis as defined by law.

If, during the course of the procedure, one or more of the Directors are not available, the provisions of article 2386 of the Italian Civil Code will be followed, provided the majority is in all cases represented by Directors appointed by the Meeting.

The Meeting will elect the Chairman of the Board of Directors, choosing the latter from among the members of the Board; if the Meeting does not make such an arrangement, the Chairman will be elected by the Board itself. The Board may also elect a Vice Chairman to replace the Chairman in the event of his/her absence or incapacity.

For the sake of completeness it should be noted that, on 13 March 2008, the Board of Directors of Ansaldo STS resolved to propose certain amendments to article 16 of the Articles of Association to the Extraordinary Shareholders Meeting convened, at first call, for 31 March 2008, and for 1 April 2008, at second call. The proposed amendments concern, *inter alia*, the removal of the right currently granted to the outgoing Board of Directors to submit a list of potential members of the Board of Directors, and removal of the obligation to publish the lists of candidates proposed by shareholders in at least three Italian daily newspapers with national distribution. The report on the amendments to the Articles of Association, drafted pursuant to and for the purposes of article 72 of the Issuers' Regulations and article 3 of Ministerial Decree 437/98, is available for consultation at the Company's registered office and at Borsa Italiana [Italian Stock Market], as well as on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

#### **4.1.2 CURRENT COMPOSITION**

The Ordinary Shareholders Meeting of 21 November 2005 appointed as Directors of the Company: Alessandro Pansa, Giovanni Roberto Gagliardi, Sante Roberti, Mauro Gigante and Francesco Lalli; at the same time it appointed Alessandro Pansa as Chairman of the Board of Directors. In view of the fact that the appointment of the current Board occurred before Ansaldo STS' listing, it was not carried out on a voting list basis.

On 9 February 2006 the Board appointed Giovanni Roberto Gagliardi Managing Director and, on 24 February 2006, it appointed Sante Roberti as Vice Chairman of the Board of Directors.

On 24 March 2006 the number of directors was increased to seven with the appointment, by the Ordinary Meeting, of two independent directors: Sergio Maria Carbone and Attilio Salvetti.

Subsequent to the Company's listing, in order to ensure an adequate representation of minorities, the Board of Directors was supplemented by the appointment of two further independent directors – Maurizio Cereda and Gabriele Falciasacca – thus taking the number of members of the board to nine. The aforesaid Directors were appointed by the Ordinary Meeting of 14 June 2006 from among the candidates proposed by the minority shareholders. In fact, on the occasion of their appointment, Finmeccanica S.p.A. did not take part in the vote, thereby allowing the minorities to cast a decisive vote for the appointment of these directors.

On 14 June 2007, following the resignation of Giovanni Roberto Gagliardi as Director and Managing Director, which was on that same occasion accepted by the Company, the Board of Directors, acting in accordance with article 2386 of the Italian Civil Code and article 16.5 of the Articles of Association, appointed Sergio De Luca as a director, conferring on him the position of Managing Director.

On 27 September 2007, following the resignations of Director Mauro Gigante, the Board co-opted Gerlando Genuardi as Director.

The current Board of Directors, which has been in office since the Ordinary Shareholders Meeting convened for approval of the 2007 financial statements, therefore consists of 9 members: 3 executive directors, as defined by the Code, and 6 non-executive directors, of whom 5 are independent.

<b>Name</b>	<b>Position</b>
Alessandro Pansa	Chairman
Sante Roberti	Vice Chairman
Sergio De Luca	Managing Director
Sergio Maria Carbone	Independent
Maurizio Cereda	Independent
Gabriele Falciasecca	Independent
Gerlando Genuardi	Independent
Francesco Lalli	Non-executive
Attilio Salvetti	Independent

The following contains Information on the personal and professional details of the individual members of the Board of Directors.

#### **ALESSANDRO PANSA – CHAIRMAN**

Born in Mortara (Pavia) on 22 June 1962. Graduated in Political Economics from the L. Bocconi Commercial University of Milan; from 1993 to 1999 he was Senior Partner of Vitale Borghesi & C, and from 1999 to 2001 Managing Director and Partner of Lazard. He is a member of the Board of Borsa Italiana S.p.A., and of Feltrinelli Editore S.p.A.

Since October 2004 he has also been Joint Managing Director of Finmeccanica S.p.A. (with responsibility for finance, administration/management, planning and control activities, mergers and acquisitions, fiscal planning, relations with investors and legal representative), having been appointed Chief Financial Officer in 2001.

#### **SANTE ROBERTI – VICE CHAIRMAN**

Born in Sant'Antimo (Naples) on 18 June 1941, he graduated in Electronic Engineering from the University of Naples, starting his professional career as Director of the Company Eternit. In 1979 he joined the Ansaldo Group and over the course of time held various positions, assuming responsibility as Manager of Central Supplies for Italtrafo S.p.A., the person responsible for Service Operations at Ansaldo Energia S.p.A., for the operations of the Boiler Business Unit at Ansaldo Energia S.p.A., Company Head of Ansaldo Termosud S.p.A., responsible for the Business Systems Unit operations at Ansaldo Trasporti S.p.A., Chairman and Managing Director of Ansaldo Coemsa S.A., in Brazil. He is currently Vice Chairman of the Industrial Union of Naples, Chairman of the Pegaso a r.l. Consortium, of Metro 5 S.p.A., of the Railway Consortium S. Giorgio-Volla, of the Railway Consortium S. Giorgio – Volla Due, of the Railway Consortium Vesuviano, and Vice Chairman of the Consortium IRICAV UNO and IRICAV DUE. In addition he is a member of the Board of Directors of Ansaldo Segnalamento Ferroviario SpA [Railway Signalling], of Ansaldo STS Australia PTY Ltd, of Union Switch & Signal Inc., of Bredamenarinibus S.p.A. and of the joint-stock consortium

Metro C, as well as a member of the Supervisory Board of Ansaldo STS France. From June 2001 to June 2006 he performed the role of Managing Director of Ansaldo Trasporti – Sistemi Ferroviari S.p.A. of which he is currently Chairman.

### **SERGIO DE LUCA**

Born in Zungoli (Avellino) on 3 September 1950, he graduated in Electronic Engineering from Turin Polytechnic, and started to work with the Finmeccanica group in 1975 at Ansaldo - Società Generale Elettromeccanica [General Electronics Company]. Since 1981 he has worked in the context of Ansaldo Trasporti and in particular with the Signalling Unit. In 1996, following the conversion of Ansaldo Trasporti's three Divisions (Vehicles, Systems and Signalling) into a company, he moved to Ansaldo Segnalamento Ferroviario [Railway Signalling] of which he became Managing Director in 1998. Since 2006 he has also been Managing Director of the associated company Ansaldo Trasporti Sistemi Ferroviari. Engineer De Luca is the author of scientific publications and has lectured at Genoa, Pavia and Naples Universities.

### **SERGIO MARIA CARBONE**

Born in Genoa on 1 July 1941, he is a Lecturer in International Law, Navigation Law and European Union Law at the Faculty of Law of the University of Genoa; in addition he is the author of many publications on international commercial and company law.

He is the legal representative of important Italian and foreign industrial groups and Vice Chairman of Banca Passadore, Member of the Board of Directors of Sirti S.p.A., of the CARIGE Foundation and Managing Director of other companies.

### **MAURIZIO CEREDA**

Born in Milan on 7 January 1964, he graduated in Company Economics from the Luigi Bocconi Commercial University of Milan. He worked for Rasfin S.p.A., SIM of the Ras Group for three years, and subsequently, in 1992 he joined the financial department of Mediobanca S.p.A. As Director of Mediobanca S.p.A. since 1999 he assumed responsibility for the Equity Capital Markets area in 2000 and, in the same year, was promoted to the company's Central Management. In 2003 he became jointly responsible for the Corporate Finance area and in 2006, with his appointment as Central Director, he assumed full responsibility for the Corporate Finance area as well as of the Coverage Large Corporate structure.

In 2007 he was appointed Assistant Managing Director and director on the Board of Mediobanca.

### **GABRIELE FALCIASECCA**

Born in Bologna on 22 June 1945, he has been a Lecturer in Microwave [Technology] in the Engineering Faculty of the University of Bologna, and has been Director of the Millimetric Wave Centre at the U. Bordonni Foundation (Pontecchio Marconi), Director of the Computer Electronics and Systematics Department at the University of Bologna and Chairman of the Scientific Committee of the G. Marconi Foundation of which he has been Chairman since 1997.

He is closely involved in a large number of research projects in the area of communications over physical media (waveguide and fibre optics), radio systems for air and ground traffic



(road and rail), microwave power applications and mobile and personal communications applications.

With reference In particular to the latter sector, he is involved in the EEC projects Prometheus, Drive and Race I and II, and in 1995, as the first Chairman, he launched the European Conference on Mobile and Personal Communications (EPMCC); he has also taken an active role in the development of both GSM and UMTS. He has provided technical and scientific consultancy services to, *inter alia*, Italtel, Siemens, Motorola, Nokia, Sirti and Enel Research Centre. The author of many scientific publications, he is currently a member of a number of National Commissions: CCIR, CEI and URSI, in addition to being a specialist member of the Higher Technical Council, P.T.A.

### **GERLANDO GENUARDI**

Born in Palermo on 29 March 1948, he graduated in Economic Science from the University of Palermo. In 1980 he joined the European Investment Bank (“EIB”) where, between 1995 and 2000, he has acted as Personnel Director; from 2000 to 2003 he was Executive Director of the European Reconstruction and Development Bank (“ERDB”) and Chairman of the Administrative Affairs and Financial Statement Committee set up within said organisation (2001-2002). He again served at the EIB from 2003 to 2007, acting as Vice Chairman and member of the Management Committee, as well as being responsible for the financial statement and planning policies, with responsibility for finance in Italy, Greece, Cyprus, Malta and the Western Balkans, as well as for operations in the context of the Structured Finance Facility. From October 2006 to August 2007 he performed the role of Governor of the ERDB, representing the EIB. In August 2007 he was appointed Honorary Vice Chairman of the EIB.

### **FRANCESCO LALLI**

Born in Campobasso on 27 March 1955, he graduated in Law from the University of Rome; from 1983 to 1984 he held an official position at the Ministry of Employment and Social Insurance, and from 1984 to 1989 he performed various roles within the General Economic Affairs department of the Ministry of State Participation; from 1989 to 2005 he performed activities at the Office for Relations with Institutions and Law Firms, at AERITALIA – Società Aeronautica Italiana S.p.A. (subsequently known as Alenia Aeronautica S.p.A. in 1990) where he was responsible for the National Programmes Development Unit (1995-1996); he was appointed Director in 1996 and then assumed responsibility for the National Programmes Support Unit (1996-1999), responsible for the National Finance Programmes Unit (1999-2002) and was subsequently appointed Director for Relations with Institutions. Since April 2005 he has been Director of Relations with Institutions at Finmeccanica S.p.A.

### **ATTILIO SALVETTI**

Born in La Spezia on 22 May 1939, he graduated in Aeronautical Engineering from the University of Pisa; since 1975 he has been a Lecturer in Aeronautical Construction at that same University. He has conducted research activities, particularly in the area of aeronautical structures, aircraft and spacecraft design methods, dynamics and aircraft control.

The author of many scientific publications, for over 20 years he has performed the role of supervisor of research activities at the Aerospace Engineering Department at the University of Pisa in areas such as Structures and Materials, Dynamics and Flight Control, leading a large number of coordinated research projects at both national and international level.

He is member of industrial scientific committees and research centres and is currently involved with the NATO Research and Technology Agency as a member of the “Applied Vehicle Technology Panel”. In addition he is an Italian Delegate of the ICAF (International Committee on Aeronautical Fatigue). He has served as an Administrative Director of the Space Agency and coordinator of the Space Engineering working group at ASI.

#### **4.1.3 ROLE AND DUTIES**

The Company’s management rests wholly with the Board of Directors which carries out the necessary operations for implementation of its corporate object.

The Board of Directors Regulations, approved on 29 January 2007 by the Company’s Board, adopting the recommendations found in the Code, defines the tasks and roles of the Board of Directors, specifying that the Board of Directors:

- examines and approves the Company’s strategic, industrial and financial plans and those of the Group which it leads, the governance system of the Company itself and the Group structure;
- assesses the suitability of the Company’s organisational, administrative and general accounting structure, and that of subsidiaries of strategic significance, prepared by the Managing Director, with reference in particular – on an annual basis – to the suitability, effectiveness and correct functioning of the internal control system and the management of conflicts of interest;
- confers and withdraws powers to the Managing Director, taking into account what is specifically reserved as the remit of the Board in accordance with article 2381 of the Italian Civil Code, and in relation to the provisions of the Articles of Association, defining the corresponding limits and procedures for implementation;
- after examining the proposals put forward by the Remuneration Committee and consulting with the Board of Internal Auditors in accordance with article 2389, paragraph 3, of the Italian Civil Code, he determines the economic and regulatory treatment of the Managing Director, through the Remuneration Committee which has been given special powers, as well as of the other Directors who perform specific functions, including participation on Committees set up by the Board of Directors. In addition, when not provided for by the Meeting, he determines the distribution of the overall remuneration due to the members of the Board;
- evaluates the general functioning of management, taking into account, in particular, the information received from the appointed bodies, and periodically comparing the results achieved from the aforesaid programmes;
- examines, and approves in advance, the Company’s operations and those of its subsidiaries, when such operations are of particular strategic, economic, assets related or financial significance for the company itself, paying particular attention to situations in which one or more Directors has an interest on its own account or on behalf of third parties and, in more general terms, operations with associated parties; to this end it establishes the general criteria for identifying operations of particular significance;
- at least once a year it carries out an assessment of the size, composition and functioning of the Board itself and of its committees, and where appropriate makes recommendations regarding professionals whose presence on the Board he considers useful;

- provides information, in the report on the Company's governance, regarding performance of the tasks listed above and, in particular, on the number of Board meetings held during the course of the financial year and on the corresponding percentage participation by each director.

The Board of Directors meeting of 14 June 2007, notwithstanding the provisions of law and of the Articles of Association, reserved the following areas as falling under its own exclusive competence:

- definition of the Company's strategic and organisational guidelines, including the approval of plans, programmes and budgets;
- in addition to the provisions of point 1 above, approval of individual investments, be they tangible or intangible, if not compulsory, and if in a sum exceeding €500,000;
- the acquisition and disposal of participations and shares in other companies, be they existing or newly established companies, also through the exercising or waiver of option rights, conferred rights, usufruct, the creation of pledges and any other act of disposal; this may also be in the context of joint ventures, or the attachment of obligations to those participations;
- the disposal, conferring, leasing, usufruct and any other act of disposal, or subjecting to obligations, of the Company's business or sections thereof; the acquisition, leasing, usufruct of the business or business sections of other companies;
- operations involving capital, formation, conversion, listing on the Stock Market, mergers, divisions, liquidation, entering into inter-company agreements relating to directly controlled companies;
- the appointment of Directors and Auditors in directly controlled companies;
- active and passive, medium and long-term financial operations, excluding operations to cover exchange risks relating to orders;
- the granting of guarantees, including sureties and mortgages, taking into account the powers attributed to the Managing Director;
- the acquisition, exchange and sale of immovable assets, and contracts relating to immovable assets with a duration greater than nine years;
- the execution of contracts for a sum greater than €50,000,000 (fifty million euros) or involving high commitments or risks;
- the signing of consultancy agreements of an ongoing nature with a duration greater than one year or a sum greater than €50,000;
- the hiring, promotion and dismissal of directors;
- the granting of prior authorisation to subsidiaries to enter into operations of significant strategic, economic, assets related or financial importance to the Company itself; these operations expressly include the presentation of offers and the execution of supply contracts by the subsidiaries (i) in a sum greater than €50,000,000 (fifty million euros) or (ii) in a sum greater than €30,000,000 (thirty million euros) if the Company is asked to issue a Parent Company Guarantee for a sum exceeding €30,000,000 (thirty million euros), or (iii) that involve high commitments or risks, including orders with an added value (EVA) of less than 2% of the total receipts.

During the course of the financial year the Board of Directors has, amongst other things:

- examined the 2007 Budget and the Strategic Plan for 2007-2009. These documents were approved by the Board at its meeting of 22 March 2007. On 13 February 2008

the Board of Directors examined the 2008 Budget and the long-term Strategic Plan for 2008-2012, approving same at the subsequent meeting held on 13 March 2008;

- examined and in part approved, on 19 December 2007, the new company organisation that the Ansaldo STS Group intends to adopt through the redefinition of the chain of control for the Group's foreign subsidiaries. In particular, the Board resolved to proceed with the reallocation of certain participations in subsidiaries in the Asia Pacific area, bringing the Australian company - which has management responsibility for the whole region, and which in turn controls the Indian and Malaysian operating companies - under the direct control of the parent company, Ansaldo STS. It was also decided to close the Dutch sub-holding company, Ansaldo Signal N.V., which currently holds share package in all the Group's other foreign operating companies, direct control of which will also be transferred to the parent company, Ansaldo STS. Finally, the Board of Directors decided to postpone until 2008 the merger of the Italian operating subsidiaries Ansaldo Trasporti – Sistemi Ferroviari and Ansaldo Segnalamento Ferroviario, which had been envisaged for the end of 2007;
- examined the updating of the Group's organisational, administrative and general accounting structure, repeating an evaluation of the suitability of the Group's Directives and of the Company's Procedures, which had been formulated in 2007, reaching the conclusion that these were wholly adequate for ensuring the effectiveness and correct functioning of the internal control system;
- assessed the general progress of management, comparing the results achieved with the results planned at the time of approving the quarterly, half-year and financial statement reports;
- approved in advance all the subsidiaries' operations of particular strategic, economic, assets related and/or financial importance;
- noted that, at 13 February 2008, no director had declared that he was engaged in activities in competition with the Company; in this regard it is pointed out that the Meeting did not in general terms authorise the previous exceptions to the ban on competition contemplated in article 2390 of the Italian Civil Code.
- approved the operations with associated parties, including in particular – in that they were most significant – approval of: (i) the plan to merge, by incorporation, Ansaldo Segnalamento Ferroviario S.p.A. (“ASF”) with Ansaldo Trasporti Sistemi Ferroviari S.p.A. (“ATSF”), including the transfer to ATSF of the whole participation held by Ansaldo Signal NV in ASF, a company in the STS Group (19 December 2006); (ii) the acquisition of 100% of the Ansaldo STA Australia Pty Ltd participations from Transcontrol Co, a company wholly and directly controlled by Ansaldo STS S.p.A.; (iii) transfer of 100% of the Union Switch & Signal PVT shares from Ansaldo Signal NV to Ansaldo STS Australia Pty Ltd; (iv) an agreement relating to the joint exercise of the option for the National Fiscal Consolidation agreed between Ansaldo STS, ATSF and ASF; (v) the contract with Elsag S.p.A. (a company controlled by Finmecannica S.p.A., which has responsibility for its management and coordination); (vi) reduction of ASNV's assets by returning to ASTS the share premium that had previously been paid out.
- For further information on the Board of Directors' initiatives relating to the internal control system, see Part 4, paragraph 4.3 (“*Information on implementation of the provisions of the Self-regulating Code. Board of Directors. Internal Control System*”).

#### **4.1.4 EXECUTIVE DIRECTORS: CHAIRMAN, VICE CHAIRMAN, MANAGING DIRECTOR**

The Board of Directors may delegate its powers to an executive committee or to the Chairman and/or to its members, appointing one or more Delegated Directors. The delegated entities may in turn delegate the powers thus conferred on them, for individual actions or categories of actions, to Company employees and to third parties, with the right of sub-delegation.

At the date of this Report the Board of Directors has not appointed an executive committee.

##### **Chairman of the Board of Directors**

Unless prevented from doing so, the Chairman of the Board of Directors will convene Board meetings, coordinate the corresponding activities and conduct the business of said meetings, ensuring that the Directors are promptly provided with information to enable the Board to express its views on the matters for consideration with the appropriate knowledge.

The Chairman has not received any particular powers from the Board and therefore does not perform an executive role within the Company. However, he is regarded as an executive, in accordance with the provisions of the Code, in that he holds the position of Joint Managing Director of Finmeccanica S.p.A. which exercises activities of management and coordination of the Company.

##### **Vice Chairman of the Board of Directors**

The Vice Chairman has received from Ansaldo STS's Board of Directors a mandate to (i) develop the products portfolio and new business opportunities for the operating companies of the Ansaldo STS Group, and (ii) to support the process of integration between the "Railway Systems" and "Signalling" activities and between the companies in question.

##### **Managing Director**

In addition to acting as the Company's legal representative before any judicial or administrative authority and before third parties, the Board of Directors has conferred on the Managing Director the following powers to be exercised on the basis of a single signature:

- to direct and manage the company's business in accordance with the instructions and directives of the Board of Directors;
- to perform all actions falling under the ordinary administration of the Company;
- to execute the Board of Directors' resolutions, carrying out all necessary actions, including those of extraordinary administration, as decided by the Board itself;
- In separate actions and in accordance with the Company's organisational structure, to confer appropriate signatory powers on the Company's managerial personnel, respecting the functions and positions attributed to each.

In accordance with the Articles of Association, the Managing Director reports to the Board of Directors and to the Board of Internal Auditors at least once every three months and, in any case, at Board meetings, on the activities carried out, the general course of management and its foreseeable development, as well as with regard to the more significant economic, financial and assets related operations, or those of particular significance because of their size or characteristics, that are performed by the Company or by its subsidiaries. In particular the Managing Director will report on operations in which he has an interest, on his own account or on behalf of third parties, and on any atypical, unusual operations, or those involving associated parties which are not reserved exclusively for the Board itself. As a general rule reports will be produced by the Board of Directors in the context of approval of the periodic accounts (the Balance Sheet, the Half-year Report and Quarterly Reports). Reports may be submitted either at Board meetings or in writing.

It is noted that, during the course of 2007, the Managing Director had duly produced this information for the Board of Directors and for the Board of Internal Auditors on a quarterly basis, at the same time as the Board's approval of the periodic accounting statements (the Balance Sheet, the Half-year Report and the Quarterly Reports).

#### **4.1.5 NON-EXECUTIVE DIRECTORS**

The Board consists for the most part of non executive members (in that they do not have operational powers and/or management functions in the company context) such as to ensure, in terms of numbers and powers, that their judgment can be of decisive importance in the context of the adoption of Board decisions.

The non-executive directors contribute their specific expertise at Board discussions, so as to encourage an examination of the matters under examination from various perspectives and to ensure that the decisions taken are well informed and in line with the Company's interests.

With the exception of the Managing Director, the Chairman and the Vice Chairman, the other 6 members of the Board are all non-executive.

#### **4.1.6 INDEPENDENT DIRECTORS**

In implementation of the provisions of the Code, following the appointment of Independent Directors – i.e. on 24 March 2006 (Sergio Maria Carbone and Attilio Salvetti; on 27 June 2006 (Maurizio Cereda and Gabriele Falciasecca); on 27 September 2007 (Gerlando Genuardi) – on the basis of the information produced by the individual interested parties or in the Company's possession, the Board has assessed those relations that may in some way jeopardise the independence of judgment of the Independent Directors. The findings from this assessment were notified to the market in press releases issued on: 24 March 2006, 27 June 2006 and 27 September 2007.

At the meetings of 29 January 2007 and 31 July 2007, on the basis of the statements issued by the Independent Directors, the Board of Directors also verified compliance with the criteria of independence on the part of the Independent Directors (Sergio Maria Carbone, Maurizio Cereda, Gabriele Falciasecca and Attilio Salvetti), as contemplated in the Code. This verification was carried out in accordance with the provisions and regulations in force and in accordance with article 3 of the Code and of Borsa Italiana [Italian Stock Market]

Regulatory Instructions. Subsequently, at the time of Gerlando Genuardi's appointment as Director, which took place on 27 September 2007, on the basis of the documents submitted by him, the Board ascertained that he satisfied the criteria of independence contemplated in the provisions and regulations in force and in accordance with article 3 of the Code and the Borsa Italiana Regulatory Instructions. The aforementioned verification was carried out by the Board in compliance with all the criteria provided for in the Code.

After examining the statements submitted by the Directors, referred to above, and taking into account the assessments carried out by the Board, the Board of Internal Auditors certified that the criteria and procedures for assessment adopted by the Board itself for determining the independence of its members had been correctly applied.

In accordance with the Code's requirements, the Independent Directors duly met on 19 December 2007. During the course of said meeting they examined: (i) the methods whereby Finmeccanica performed its coordination and management activities in relation to Ansaldo STS; (ii) any strategies on Finmeccanica's part relating to its stakeholding in Ansaldo STS; and (iii) the strategies for growth adopted by Ansaldo STS.

#### **4.1.7 OTHER DIRECTOR OR AUDITOR FUNCTIONS PERFORMED BY THE DIRECTORS OF ANSALDO STS**

On 14 February 2007 the Company's Board of Directors approved an internal regulation aimed at governing the limits applicable to the accumulation of positions as director or internal auditor with regard to the Ansaldo STS directors.

In accordance with said regulation, the Ansaldo STS directors should accept such positions when they believe they can devote the necessary time to the performance of their duties, also taking into account the number of positions held on the management and supervisory boards of (i) companies with shares listed on regulated markets, including foreign companies ("Listed Companies"); (ii) companies, including foreign companies, with shares not listed on regulated markets, which engage in financial, banking or insurance activities, or that have an annual volume of revenue equal to or greater than that resulting from the consolidation of Ansaldo STS ("Unlisted Companies").

The positions held by each of Ansaldo STS's directors on the management and/or supervisory boards of other Listed Companies and/or Unlisted Companies should not be more than 15.

In this regard, in line with both national and international best practice, for the purpose of calculating the maximum number of positions as director or internal auditor that is compatible with effectively performing the role of a Company director, the aforesaid internal regulation defines a separate assessment of positions as an executive director and as a non-executive director, but without taking account of the directors' involvement in committees set up within the Board itself.

When calculating the positions held, no account is taken of positions in Listed or Unlisted Companies that are parent companies, (direct and/or indirect) subsidiary companies or companies participated in by Ansaldo STS.

Ansaldo STS's Board of Directors has the right to grant any exceptions, which may also be of a temporary nature, whereby the Company's directors will be allowed to hold positions in management and supervisory bodies of other Listed and Unlisted Companies that together exceed the maximum number of 15.

Directors are required to inform Ansaldo STS at once of any changes regarding the positions that they hold in other Listed and/or Unlisted Companies, stating the average monthly commitment that these involve.

The current composition of the Ansaldo STS Board of Directors complies with the above general criteria.

At the present date it is noted that only three Directors hold positions in other listed companies or in financial, banking or insurance companies, or in companies of significant size, the latter being identified among companies other than those already referred to and having an annual revenue equivalent to or greater than that resulting from the consolidation of Ansaldo STS.

<b>Director</b>	<b>Position held</b>	<b>Company</b>
Alessandro Pansa	Director	Fintecna S.p.A. Borsa Italiana S.p.A. Effe 2005 S.p.A.
Sergio Maria Carbone	Director	SIRTI S.p.A. Fondazione CARIGE Società Finanziaria & Banca Passadore & C. S.p.A.
Maurizio Cereda	Member of the Management Board	Mediobanca S.p.A.

None of the companies listed above forms part of the group led by Ansaldo or of which it forms part.

#### **4.1.8 DOCUMENTATION AND INFORMATION MADE AVAILABLE TO THE BOARD OF DIRECTORS**

The Chairman of the Board of Directors ensures that Directors are provided with adequate and prompt information to enable the Board to express informed views on the matters submitted for its consideration.

In accordance with the Rules of the Board of Directors, the supporting documents for Board meetings are sent to each director and internal auditor on the same date as the notice of meeting, where possible, and in any case no later than the third day prior to the date fixed for said meeting, except in urgent cases when the documents will be made available as soon as is possible. If the Chairman deems it appropriate, in connection with the content of the matter for discussion and the deliberation thereof, the informative documents may be distributed at the meeting itself, informing the directors and internal auditors in advance that, if they deem it necessary, they may gain access to the information available at the company's head office during the days immediately preceding the meeting.



#### 4.1.9 BOARD MEETINGS - FREQUENCY OF BOARD OF DIRECTORS MEETINGS

Members	Number of meetings	Number of attendances
Alessandro Pansa	10	10
Sante Roberti	10	9
Giovanni Roberto Gagliardi*	6	6
Sergio De Luca**	5	5
Sergio Maria Carbone	10	10
Maurizio Cereda	10	9
Gabriele Falciasecca	10	9
Mauro Gigante <>	7	7
Gerlando Genuardi <><>	3	3
Francesco Lalli	10	9
Attilio Salvetti	10	9

\* Resigned at the Company's Board of Directors meeting held on 14 June 2007.

\*\* Appointed in accordance with article 2386 of the Italian Civil Code on 14 June 2007.

<> Resigned on 27 September 2007.

<><> Appointed in accordance with article 2386 of the Italian Civil Code on 27 September 2007.

During the course of financial year 2007 the Board of Directors held 10 meetings. Each absence was duly justified. For financial year 2008, 11 meetings are planned of which, at the date of this Report, 3 have already taken place. The Board of Directors meets, in accordance with the Articles of Association, whenever the Chairman or his deputy deems it necessary, or in response to a written request from the majority of its members. The Board of Directors may also be convened by each Internal Auditor.

#### 4.1.10 ASSESSMENT OF THE FUNCTIONING OF THE BOARD OF DIRECTORS

At least once a year the Board of Directors will carry out an evaluation of the size, composition and functioning of the Board itself and of its Committees, and may formulate recommendations on the professional persons whose presence on the Board is considered appropriate.

To this end, in January 2007, the Board of Directors approved the general criteria and methods for implementing the self-evaluation process for the Board itself and for its Committees (the so-called "Board Performance Evaluation"); subsequently, on 14 February 2007, on the basis of the bids submitted by various consultancies with relevant expertise, it decided to confer this task on one of their number.

This first phase of the self-evaluation process was concluded in May 2007.

The methodological approach adopted by the consultant in order to understand the level of functioning and effectiveness of the Board, and to identify any factors that may impede the Board's best possible functioning and effectiveness, envisaged the drafting of a specific questionnaire and the holding of individual interviews with each Director.

The analysis focused on: (i) the structure, composition and functioning of the Board and of its Committees; (ii) Board meetings, the flow of information, the roles and responsibilities of the Board, and the decision making process and participation of Directors; (iii) the Board's relationship with its management, with shareholders and with stakeholders; (iv) the effectiveness of the Board in, amongst other things, monitoring of management and in positively stimulating same.

The Board Performance Evaluation produced an overall positive result regarding the Board's functioning. The Board Performance Evaluation also highlighted some areas for improvement in order to make performance of the Board's functions more effective. Accordingly, taking these factors into account, the Company is assessing the implementation of more suitable measures to achieve better results. With regard to the independent directors specifically, no specific findings emerged.

Furthermore, in order to promote more suitable action to allow the Board of Directors to perform its tasks in the most efficient and effective manner, on 19 December 2007 the Board of Directors decided to proceed with a new assessment of the Board and its Committees, no longer based exclusively on the judgment expressed by the Directors, but on that of a third party. This assessment, currently under way, is carried out adopting a similar process to that used for the auditing of the company's financial statements, and highlighting possible improvements that can be made to the Board's functioning. The assessment process should be concluded by March 2008.

#### **4.1.11 DIRECTORS' REMUNERATION**

A significant part of the executive directors' remuneration, and that of the directors with strategic responsibilities in the Company, and in some of its subsidiaries, is linked to the achievement of specific performance objectives by the Company and of the Ansaldo STS's stock.

In addition to their fixed remuneration, the Managing Director, Vice Chairman, as a director with powers within the Company, and the directors with strategic responsibilities in Ansaldo and in some of its subsidiaries, also benefit from:

- a *management by objectives* ("MBO") programme on an annual basis (the directors of the Ansaldo STS Group are also entitled to the same benefit);
- additional remuneration (*Long Term Incentive Plan*) in connection with a three-year ("rolling") performance plan subject to their achieving predetermined objectives with respect to both the market and the economic management parameters;
- the free allocation of shares, contemplated under the Stock Grant Plan, which are allocated to them in retrospect at the end of each year covered by the duration of the plan in question, and subject to achieving certain performance objectives. The informative document containing detailed information on this scheme, as per article 84-bis of the Issuers' Regulations, is available on the Company's site: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

The non-executive directors' remuneration is not linked to the economic results achieved by the Company. In fact these directors are not eligible for the performance plan, but benefit

from the remuneration payable to the Members of the Board of Directors as decided by the Shareholders Meeting of Ansaldo STS S.p.A. Those non-executive Directors who are also members of one or both the Board of Directors' internal committees within the Company (the Internal Control Committee and the Remuneration Committee) also receive additional remuneration determined by the Board itself. Said remuneration is paid *pro rata temporis* with reference to their length of service. For detailed information on the remuneration paid, on any basis and in any form, including those relating to subsidiaries, the individual members of the Board of Directors and the Managing Director, if one is appointed, please see the specific table contained in the Supplementary Notes to the Financial Statements, available on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

## 4.2 COMMITTEES

In order to increase the effectiveness and efficiency of the Board of Directors' work, the Internal Control Committee and the Remuneration Committee have been set up within the Board.

Taking into account that the current list voting mechanism ensures a transparent appointment procedure and a balanced composition of the Board, which in particular guarantees the involvement of an adequate number of independent directors, the Board of Directors has not deemed it necessary to proceed with the setting up of an internal committee for proposals relating to the appointment of directors.

### 4.2.1 THE INTERNAL CONTROL COMMITTEE

The Internal Control Committee consists of three non-executive and independent Directors.

Members	Number of meetings	Number of attendances
Sergio Maria Carbone (Chairman)	9	9
Maurizio Cereda	9	9
Attilio Salvetti	9	9

In accordance with the Code, on 29 January 2007 the Board of Directors concluded that the accounting and financial experience of the Committee's Chairman, Prof. Sergio Maria Carbone, and member, Dr Maurizio Cereda, was adequate.

The main activity of the Internal Control Committee consists of assisting the Board of Directors, in terms of consultation and recommendations, in the performance of its periodic activities for verifying the adequacy and effective functioning of the organisational set-up with regard to the internal control system.

In particular the Committee has the task of verifying the levels of functioning and suitability of the internal control system in addition to the correct compliance with internal procedures and guidelines adopted in order to ensure sound and effective management and, to the extent possible, to identify, anticipate and manage possible risks of a financial and operational nature as well as any fraudulent activity that might prejudice the Company.

The following are some of this Committee's specific functions:

- to examine the problems and relevant practices for the control of company activities;
- to evaluate the operating programme prepared by the Officer for Internal Control and to receive periodic reports thereon;
- together with those responsible for management of the Company and the internal auditors, to evaluate the suitability of the accounting principles to be adopted and their homogeneity for the purposes of drafting the consolidated financial statements;
- to monitor the effectiveness of the process used for auditing the accounts;
- to evaluate the operating programme drafted for auditing and the results shown in the report and in the letter of recommendations;
- to report to the Board of Directors, at least once every six months, on the occasion of approval of the draft financial statement and the half-yearly report, on the activities carried out and the suitability of the internal control system;
- to perform any other task that may be assigned to it by the Board of Directors, in particular concerning relations with the auditing firm.

In the context of periodic activities for assessing the suitability and effective functioning of the organisational structuring relating to the internal control system, during the course of the Financial Year the Committee has:

- examined and discussed the most significant findings and their background with management and with the Officer for Internal Control, as well as any difficulties encountered in the course of its activities;
- monitored the process for issuing directives and procedures relating to the internal control system, verifying their content;
- examined the progress of certain significant orders/activities;
- examined the existing 2007 audit plan within the Company and the Group, verifying the main results;
- approved the 2008 audit plan;
- implemented the checks under its responsibility in connection with the process of drafting the Quarterly Reports and the Half-year Report, also meeting with the auditing firm and informing the Board of the outcome of those checks and stating any recommendations it may have;
- verified the suitability and effective application of the accounting principles adopted and their homogeneity for the purposes of drafting the consolidated financial statements;
- approved the Corporate Governance rules issued by the Company, such as the Code for Internal Dealing, the Guidelines for identifying the parties concerned, the procedures for the functioning of the company's bodies (Shareholders' Meeting Regulations, Procedures for the Functioning of the Board of Directors and the CCI and CR Rules).

The Committee has also met with management to examine the main risks faced by the company, identified by the Managing Director (as the executive Director responsible for the internal control system) and the measures adopted by management to anticipate, monitor and control such risks.

During the course of the Financial Year the Committee has been able to access all the necessary Company information and functions for the performance of its duties.

The Committee meets at least once every six months (at the same time as the Board of Directors' approval of the Financial Statements and Half-year Report). From 1 January 2007 to the date of this report, on 22 March 2007, 27 September 2007 and 13 March 2008 the Committee reported back to the Board.

The Committee's activities are governed by Rules approved by the Board on 29 January 2007 and in line with the provisions of the Code. These Rules are available on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

Those participating in the Committee's work were the Board of Internal Auditors, the Managing Director in his capacity as executive director responsible for monitoring the functioning of the internal control system, the Company's General Secretary and the Officer for Internal Control. Also taking part were the Company's Chief Financial Officer and the Risk Manager and Project Controller.

Minutes of the Internal Control Committee's meetings were duly produced.

The Committee has its own budget which is adequate for the performance of the tasks entrusted to it. Furthermore, in accordance with article 4 of the Committee Rules, the Committee may avail itself of the assistance of both employees within the Company and outside professionals, at the Company's expense, for the performance of its tasks.

#### 4.2.2 THE REMUNERATION COMMITTEE

The Remuneration Committee consists of three non-executive Directors, two of whom are independent.

Members	Number of meetings	Number of attendances
Maurizio Cereda (Chairman)	8	8
Gabriele Falciasecca	8	7
Mauro Gigante<>	6	5
Francesco Lalli <><	2	1

<> Resigned on 27 September 2007.

<>< Appointed member of the Committee on 27 September 2007.

The Committee has the task of performing the following functions:

- with the Board of Directors' authorisation, to define the economic and regulatory treatment of the Managing Director, after consultation with the Board of Internal Auditors where this is required by article 2389 of the Italian Civil Code, in the context of and within the limits of the terms governing the employment relationship, with reference also to the corresponding establishment, adjustment of remuneration, termination by settlement, and the definition of obligations subsequent to the ending of the said relationship;
- to assess the Managing Director's proposals relating to the general criteria for remuneration and incentives, in addition to the management development plans and systems, the Group's key resources and the directors on whom powers have been conferred in the Group companies;

- to assist the Company's top management in defining the best policies for the management of the Group's management resources;
- to assess the proposals from the top management for the introduction or amendment of performance share plans or the allocation of shares to the managers and directors of the Company and of the Group Companies, to be submitted to the Board of Directors;
- to draft the remuneration plans for the Board's approval, based on the allocation of shares or options for the acquisition of Company shares for the benefit of the managers and directors of the Company and of the Group Companies;
- to perform the functions reserved to it for management of the Stock Grant Plans as contemplated in the corresponding Rules;
- to propose the rules for implementing the remuneration plans and for management of settlement of the performance share plans.

During the course of the Financial Year the Remuneration Committee has performed a support role for the Board of Directors and for the Human Resources & Process Improvement Management of ASTS on certain priority matters in its examination of the Company's management systems and the corresponding variable remuneration schemes.

In particular the Committee has:

- examined and reached a positive assessment of the MBO Programme for management of the Group and expressly approved the MBO for the Managing Director;
- examined the development and results of the Stock Grant Plan for 2006;
- made specific arrangements for allocation of the financial benefit, arising out of the Long Term Performance Plan, to the Managing Director.

During the course of the first part of financial year 2008 the Committee reached a positive assessment and approved the proposal submitted by the Company's Human Resources and Process Improvement Management in the context of the medium-/long-term incentive system of the Long Term Performance Plan Group for the three-year period 2007-2009, and the Stock Grant Plan 2008-2010 (as approved by the Board of Directors of 13 February 2008 and submitted to the Ordinary Shareholders Meeting convened for 31 March 2008 at first call, and for 1 April 2008 at second call.

During the course of the Financial Year the Committee was able to access all the necessary company information and functions for the performance of its tasks.

The Committee reports to the Board of Directors at least once every six months. From 1 January 2007 to the date of this Report the Committee reported to the Board on 12 April 2007, 27 September 2007 and 13 March 2008. The Committee's activities are governed by Rules approved by the Board on 29 January 2007 and in line with the Code's provisions. Those Rules are available for consultation on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com). The statutory auditors, Dr Rosina and Dott. Tripodi, the Company's General Secretary and, in accordance with the provisions of article 1.4 of the Committee Rules, the Officer for the Human Resources and Process Improvement function took part in the Committee's work. The Remuneration Committee's meetings were duly minuted.

The Committee has its own budget which is adequate for the performance of the tasks entrusted to it. In addition, in accordance with article 4 of the Committee Rules, the

Committee may avail itself of the assistance of both employees within the Company and outside professionals, at the Company's expense, for the performance of its tasks.

### **4.3 INTERNAL CONTROL SYSTEM**

#### **4.3.1 ESSENTIAL ELEMENTS OF THE INTERNAL CONTROL SYSTEM**

With regard to internal control the Group has implemented, and constantly updates, an appropriate system for ensuring correct company information and adequate control of all the Group's activities, with reference in particular to those areas deemed more at risk. In particular, the Group's Internal Control System' main objectives may be summarised as follows:

- to ensure the effective and efficient performance of the Company activities;
- to guarantee the reliability and correctness of the accounting documents and protection of the Company's assets;
- to ensure compliance with the Company's external and internal regulations.

The fundamental principles governing the Internal Control System established by the Group, which are subject to continual monitoring and updating, are the following:

- the separation of roles and functions in performance of those operations deemed to be critical;
- the traceability of operations;
- management of the decision making processes on the basis of the most objective criteria possible.

This system is implemented by means of guidelines defined by the parent company Ansaldo STS S.p.A. and procedures, organisational structures and controls carried out directly within the Group's operating companies on the most significant company activities in terms of risk.

The types of control exercised can be subdivided into the following categories:

- automatic or manual controls, of both a preventive type with reference to individual operations, and of a successive/ongoing type;
- management controls carried out on the performance of the companies and of the individual activities with reference to forecasts.

The aforementioned control categories which are under the responsibility of the operating companies' management, or of the lead company, are supplemented by the activity performed by the Internal Audit Function whose task is to ensure the implementation of the Group's auditing activity on the basis of the annual and multi-annual Audit Plans. In particular these activities consist of the identification and determination of the main company risks, assessment of the suitability and effective implementation of the Group Companies' Internal Control Systems, ensuring their compliance with best national and international practice in order to promote the continual updating of the processes, and of the Company and Group procedures.

At the meeting of 14 February 2007 the Board of Directors assessed the suitability of the organisational, administrative and accounting structure of the Company and of its subsidiaries, as established by the system of Group Directives and Internal Procedures adopted and in the process of being implemented by the Company.

On 13 February 2008 the Board of Directors examined the updating of the Group's organisational, administrative and general accounting structure, repeating its assessment of the suitability of the Group's Directives and the Company's Procedures which had been formulated in 2007, reaching the conclusion that the criteria on which they were based were wholly adequate for ensuring the effectiveness and correct functioning of the internal control system.

#### **4.3.2 ADMINISTRATOR RESPONSIBLE FOR SUPERVISING THE INTERNAL CONTROL SYSTEM'S FUNCTIONING**

At the meeting of 19 December 2006 the Board of Directors appointed the Managing Director as the Officer responsible for overseeing the functioning of the internal control system.

Following the appointment of the new Managing Director, the Board also confirmed his appointment as the Officer responsible for overseeing the functioning of the internal control system.

At the meeting of 13 February 2008 the Board of Directors examined the Updating of the Risks File relating to the Company's activities, which identified the main risks the Company and its subsidiaries faced, and the measures adopted for the management and/or mitigation of those risks.

At the same time, after examining the above documents and after consultation with the Internal Control Committee, the Board of Directors decided that the risks that the Company faced had been correctly identified, managed and monitored for the purposes of the correct and sound management of the Company, and therefore concluded that the internal control system adopted by the Company, with reference to the nature/characteristics of its business, was adequate, effective and duly functioning.

#### **4.3.3 OFFICER FOR INTERNAL CONTROL**

On 9 February 2006 Christian Andi, in his capacity as the Officer for the Internal Audit Function, was appointed the Officer responsible for the Company's internal control. Subsequently, on 19 December 2006, on the proposal of the Managing Director, and after consultation with the Internal Control Committee, Christian Andi, again as the Officer responsible for the Internal Audit Function, was confirmed as the Officer for the Company's internal control.

The Board of Directors, on the proposal of the Managing Director, and after consultation with the Internal Control Committee, also gave instructions to the Chairman of the Board to determine the remuneration of the Officer for Internal Control.



The Officer for Internal Control is hierarchically independent of those responsible for the operational areas and reports directly, once every two months, to the Chairman and to the Internal Control Committee and the Board of Internal Auditors.

#### **4.3.4 ORGANISATIONAL AND MANAGEMENT MODEL**

In the context of implementation of Legislative Decree No. 231 of 8 June 2001, as subsequently amended and supplemented, which introduced specific regulations concerning companies' liability for certain types of offences, the Company adopted suitable provisions, in accordance with the aforementioned legislation, for preventing the occurrence of such liability on its part, by establishing specific supervisory systems aimed at preventing (i) corporate offences, (ii) to the detriment of the Public Administration, or (iii) market abuse, committed by managers, directors, employees or the Company's external collaborators.

In particular, on 27 June 2006 the Company's Board of Directors approved the "Organisation, Management and Control Model as per Legislative Decree 231/01", in compliance with the requirements of said Legislative Decree, and drafted pursuant to the guidelines issued by Confindustria.

This Model consists of a general part and a specialist part.

The general part deals essentially with the Supervisory Authority, the flows of information to be delivered to it, and the Supervisory Authority's reporting to the Company's [other] bodies; the training of personnel, the distribution of the Model in the Company context and the disciplinary system applicable in the event of failure to comply with the Model's requirements.

The specialist part is divided into three sections, one for offences to the detriment of the Public Administration, one for corporate offences and one for market abuse offences, which respectively list the areas of risk for each type of offence, define the specific decision making protocols and the corresponding rules of conduct applicable to those operating in those sectors, as well as defining the monitoring procedures.

On 27 June 2006 the Board took the decision to set up the Supervisory Authority; which currently consists of the Independent non-executive Director Gabriele Falciasecca (Chairman), the Officer for the Legal and Corporate Affairs Function, Grazia Guazzi, and the Officer for the Internal Audit Function, Christian Andi.

At the meeting of 24 October 2006 the Board approved the By-laws for the Supervisory Authority, and was subsequently informed that said Authority had adopted specific Regulations.

Each six months the Supervisory Authority sends the Board of Directors a written report on implementation of the Organisation, Management and Control Model.

For the performance of its tasks the Supervisory Authority has its own budget which is adequate for performance of the tasks entrusted to it.

Each year the Supervisory Authority independently approves its own monitoring plan, which includes assessment activities on the suitability of the Model, and activities to ensure compliance with the Model itself.

Following the implementation of Legislative Decree 123/07, which introduced new types of offences to the list of offences contemplated in Legislative Decree 231/01, as subsequently amended and supplemented, in response once again to the Supervisory Authority's request, the Company initiated analytical activities aimed at identifying the elements necessary for updating the Model.

#### **4.3.5 DIRECTOR RESPONSIBLE FOR DRAFTING THE COMPANY'S ACCOUNTING DOCUMENTS**

At its meeting of 14 June 2007, taking note of the favourable opinion expressed by the Board of Directors and having verified compliance with the criteria of professionalism contemplated in the Company's Articles of Association, the Board appointed Jean Paul Giani as the Director responsible for drafting the Company's accounting documents in accordance with article 154-bis of the TUF, as subsequently amended to apply until the current Board of Directors has served its term. Dr Jean Paul Giani currently holds the position of Company's Chief Financial Officer.

It is noted that, in accordance with article 23 of the Company's Articles of Association, the Board is the competent body for making this appointment, subject to the favourable opinion of the Board of Internal Auditors. The same provisions also state that the appointed Director must have acquired at least three years experience overall in the following areas:

- management or control activities or managerial functions for capital companies with company capital of not less than two million euros; or
- professional or university teaching activities in legal, economic, financial and technical/scientific subjects closely related to the Company's activities; or
- managerial functions with public bodies or public administrations operating in the credit, financial and insurance sectors or at least in sectors closely related to that of the Company's activities.

On the instructions of the Board of Directors, the Managing Director has conferred the following powers on the Director responsible for drafting the Company's accounting documents; these powers must be exercised with reference exclusively to activities connected with the correct performance of the tasks prescribed by law of the Director thus appointed, and are additional to those powers already conferred upon him by the Managing Director: (i) the right to access and request any information deemed relevant in connection with both the Company and its subsidiaries or companies in which it has a stake; (ii) the right to avail itself of the services of other Management entities/Functions within the Company and the Group, or their respective resources, for the appropriate activities; (iii) the right to promote the adoption of company procedures or directives, including those relating to the Group companies, where these are deemed useful and necessary for the correct determination of the Company's and the Group's economic, assets and financial situation, to be provided in accordance with the relevant regulations adopted by the Company.

#### 4.3.6 THE AUDITING FIRM

The activities connected with the auditing of accounts are performed by PricewaterhouseCoopers S.p.A., an auditing firm registered on the special register as per article 161 of the TUF, appointed by the Ordinary Shareholders Meeting of 24 February 2006 with the favourable opinion of the Board of Internal Auditors. This mandate, originally conferred on 22 May 2007 for financial years 2006-2011, was renewed by the Ordinary Shareholders Meeting for financial years 2012, 2013 and 2014 in accordance with article 159 of the TUF as amended by Legislative Decree No. 303 of 29 December 2006, in response to the detailed proposal submitted by the Board of Internal Auditors.

#### 4.4 TRANSACTIONS WITH ASSOCIATED PARTIES

With reference to transactions with associated parties, on 12 December 2005, in the context of the “*Guidelines and criteria for identification of significant transactions and transactions with associated parties*” the Company’s Board of Directors formally approved the adoption of special “*Principles governing Conduct*” aimed at regulating the main substantive and procedural aspects inherent in management of the transactions in question, which also apply to those transactions that do not fall under the exclusive competence of the Board of Directors. In accordance with the Guidelines and criteria for identification of significant transactions, and transactions with associated parties, define “Significant Transactions”, by identifying them with the transactions reserved for the exclusive competence of the Board, in respect of which reference is made to paragraph 4.1.3 above.

In the context of the Significant Transactions it was not deemed necessary to identify a specific different level of relevance for transactions with associated parties, having concluded that the criteria adopted for identifying transactions reserved for the exclusive competence of the Board of Directors were already sufficiently prudent in nature.

The Principles governing Conduct for Transactions with Associated Third Parties (“Principles governing Conduct”) require that the management of Transactions with associated parties be effected in compliance with particular criteria of substantive and procedural correctness.

For the purpose of defining the Associated Parties, the Principles governing Conduct make express reference to the notion defined by CONSOB in its resolution No. 14990 of 14 April 2005, and thus to the definition found in the special international accounting principle (IAS 24) adopted by means of the European Commission’s (EC) Regulation No. 2238/2004 of 29 December 2004.

For the purposes of the application of these principles the list of Transactions with associated parties does not include typical or ordinary transactions to be executed on market terms.

Typical and ordinary transactions are transactions that, because of their purpose or nature, do not fall outside the scope of the Company’s normal business activities, and transactions that do not present any particular critical elements because of their characteristics and the risks inherent in the nature of the trading partner or at the time of their execution.

Transactions on market terms are those concluded on terms not significantly different from those normally practised when dealings with parties other than associated parties.

The Principles governing Conduct also make a distinction between Transactions between associated parties involving “transactions reserved for the exclusive competence of the Board” and “transactions not subject to the Board’s prior approval”.

#### **4.4.1 TRANSACTIONS WITH ASSOCIATED PARTIES RESERVED FOR THE EXCLUSIVE COMPETENCE OF THE BOARD**

The Board of Directors must receive adequate information on the nature of the relationship, on the methods for the execution of the transaction, on the terms and economic conditions governing its realisation, on the evaluation procedure and on the underlying reasons and possible risks for the Company.

Each Director must provide the Company with any information that is likely to enable it to comply with these principles.

In particular those directors who have an interest, including potential or indirect interests, in the transaction, must inform the Board promptly and fully of the existence of such interest and the related circumstances.

Those same directors must also leave the Board meeting when the matter in question is being discussed, unless this jeopardises the necessary quorum for the meeting.

Where the nature, value or other characteristics of the transaction require it, in order to avoid a situation whereby the transaction is entered into on terms different from those that would be likely to be negotiated with parties that are not associated parties, the Board of Directors may require that the transaction be concluded with the presence of one or more independent experts in order to assess the assets and/or financial, legal or technical support.

When selecting the experts (banks, auditing firms, law firms or other experts with recognised expertise and specific areas of competence) the Board will carry out a careful assessment of their independence, and for this purpose – in the most important cases – may use different experts for each associated party.

#### **4.4.2 TRANSACTIONS WITH ASSOCIATED PARTIES NOT SUBJECT TO THE BOARD’S PRIOR APPROVAL**

Transactions with associated parties that are not reserved for the exclusive competence of the Board are represented by the Chairman or by the Managing Director in the context of the periodic information submitted by him to the Board regarding the exercise of his powers, and to the Board of Internal Auditors – in accordance with article 150, paragraph 1, of the TUF – with regard to transactions of particular economic, financial and assets related significance performed by the Company or by its subsidiaries.

When submitting periodic reports on these transactions the Chairman or the Managing Director will describe the nature of the relationship, the methods for the execution of the transaction, the terms and economic conditions for its realisation, the evaluation procedure and the underlying reasons and possible risks for the Company.

## **4.5 BOARD OF INTERNAL AUDITORS**

### **4.5.1 APPOINTMENT**

The appointment of the internal auditors is carried out by the Ordinary Shareholders Meeting on the basis of a list vote.

The current statutory provisions require that lists submitted by Shareholders be filed at the registered office and that they be published in at least three Italian national daily newspapers – together with the supporting documents – at least fifteen days before the date scheduled for the Meeting at first convocation.

As in the case for the submission of lists of candidates for the appointment of members of the Board of Directors, the filing of lists of candidates for positions as Auditor in accordance with the terms stated above is a prerequisite for the validity of the lists submitted by Shareholders.

Only those shareholders who, alone or together with other shareholders, hold the quota specified in accordance with the provisions of the CONSOB regulations (for 2008 this is equal to 2.5% of Ansaldo STS's company capital), are entitled to submit lists of candidates. Each Shareholder may submit or join with others to submit a single list and may vote for only one list, which may also be through an intermediary or through trust companies. Shareholders belonging to the same group and shareholders who have signed an inter-company agreement in connection with the Company's shares may not submit or vote on more than one list, including through an intermediary or through trust companies.

The election of internal auditors takes place as follows:

- two statutory auditors and one deputy auditor will be taken from the list that has obtained the greatest number of votes, in the progressive order in which they are entered in the sections of the list;
- the remaining statutory auditor and the remaining deputy auditor are taken from other lists, in accordance with the rules and regulatory provisions in force. For this purpose the votes received by each section of the other lists are divided by one. The quotients thus obtained are assigned to the candidates in each section of each list, in accordance with the order shown therein. The quotients thus attributed to the candidates in each section of the various lists are placed on a single graduated list in descending order. For each section those who have obtained the highest quotients will be elected.

In the event that (i) a single list is submitted and/or voted on, or (ii) in the event that no list at all is submitted, or (iii) apart from the possibility of renewing the whole Board of Internal Auditors, the Shareholders Meeting will reach its a decision, with the majorities required by law, and without observing the procedure stated above, but in such a way as to ensure that the composition of this Board is in accordance with the provisions of article 1, paragraph 1, of the Ministry of Justice Decree No. 162 of 30 March 2000.

In the event that a number of candidates have received the same quotient, the candidate elected will be the one on the list which has not yet elected any internal auditor or that has elected the fewest number of internal auditors.

In the event that none of such lists have yet elected an internal auditor, or have elected the same number of internal auditors, in the context of those lists the candidate chosen will be the one that has obtained the greatest number of votes. If the list vote is evenly split, and when the same quotients apply, the whole Meeting will conduct a new vote, and the candidate elected will be the one that has received a simple majority of votes.

In the event of the replacement of one of the internal auditors taken from the list who has obtained the greatest number of votes, the deputy auditor will be taken from the same list; in the event of the replacement of an internal auditor taken from other lists, the deputy auditor will be elected in the manner prescribed in article 16.3, letter b. The Shareholders Meeting contemplated in article 2401, paragraph 1 of the Italian Civil Code, will proceed to replace the auditor in accordance with the principle of the necessary representation of minorities.

The Chairman of the Board of Internal Auditors is appointed by the Shareholders Meeting; this will be a statutory auditor elected by the minority, unless only one list has been voted or no list at all has been submitted. In such event, Chairman of the Board of Internal Auditors is appointed by the Meeting with the majorities required by law.

For the sake of completeness it is noted that, on 13 March 2008, the Ansaldo STS Board of Directors resolved to propose to the Extraordinary Shareholders Meeting, convened for 31 March 2008 at first call, and for 1 April 2008 at second call, certain amendments to article 27 of the Articles of Association with regard to the appointment of the Board of Internal Auditors. Amongst other things, the proposed amendments relate to removal of the obligation to publish the lists of candidates proposed by shareholders in at least three nationally distributed daily newspapers. The report on the amendments to the Articles of Association, drafted in accordance with and for the purposes of article 72 of the Issuers' Regulations and article 3 of Ministerial Decree 437/98, is available for consultation at the Company's registered office and at Borsa Italiana [Italian Stock Market], as well as on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

#### **4.5.2 CURRENT COMPOSITION**

The Company's Board of Internal Auditors is made up of three Statutory Auditors and two Deputy Auditors, appointed by the Meeting of 21 November 2005 and currently composed of the following:

<b>Members</b>	<b>Position</b>
Paolo Colombo	Chairman
Antonio Rosina	Statutory auditor
Francesca Tripodi	Statutory auditor
Pietro Cerasoli*	Deputy auditor
Domenico Lunedei	Deputy auditor

\*Appointed by the Shareholders Meeting of 29 November 2005 to replace Deputy Auditor Roberto Serrentino.

The mandate of the members of the Board of Internal Auditors expires at the Ordinary Shareholders Meeting convened for approval of the Financial Statements for fiscal year 2007.

Below is some information on the personal and professional details of the individual members of the Board of Internal Auditors.

### **PAOLO COLOMBO – CHAIRMAN**

Born in Milan on 12 April 1960, he graduated in Company Economics from the Luigi Bocconi University of Milan, and is qualified to exercise the profession of Commercial Consultant and Auditor/Accountant.

He is a lecturer in the “Accounting and Auditing” department of the Luigi Bocconi University of Milan and a partner in Borghesi Colombo & Associati, a firm providing consultancy services for finance operations – including fiscal and corporate consultancy in the context of extraordinary operations – strategic consultancy and corporate governance consultancy.

He is the author of publications on economic and corporate matters.

At the date of this Report he holds management and auditing positions in various listed companies: Chairman of the Board of Internal Auditors at Eni S.p.A. and Saipem S.p.A.; Statutory Auditor at Lottomatica S.p.A. and Sirti S.p.A.; Managing Director of Mediaset S.p.A. and Sias S.p.A.

### **ANTONIO ROSINA**

Born in Genoa on 12 July 1962, he has been registered on the Genoa register of Commercial Consultants since April 1989 and was appointed Auditor/Accountant by the Ministerial Decree of 12.4.1995, published in the G.U. [Official Gazette] No. 31/bis of 21.4.1995.

He has gained experience in the area of corporate, fiscal and tax consultancy, and has provided assistance in company restructuring operations.

He holds positions as Statutory Auditor and Managing Director in many companies none of which, apart from Ansaldo STS, is listed. In addition he holds legal positions (Bankruptcy Trustee, Judicial Trustee, and Court Expert for the assessment of commercial complexes) and is the Special Trustee of Ferrania S.p.A. in Special Administration.

### **FRANCESCA TRIPODI**

Born in Rome on 3 May 1972, she has been registered on the Rome register of Commercial Consultants since 27.10.1997, and was appointed Auditor/Accountant by the Ministerial Decree of 25.11.99, published in the G.U. of 17.12.99.

She has gained experience in the fiscal, corporate and commercial consultancy sector, and in the area of corporate restructuring and reorganisation. She is a member of the consultative committee of the Rome Commercial Consultants Association and holds positions as an expert appointed by the GIP, and as technical consultant to the Public Prosecutor in Criminal Proceedings.

She currently serves as a Statutory Auditor for other unlisted companies, in addition to working for Ansaldo STS.

## **PIETRO CERASOLI**

Born in Rome on 3 July 1944, he was appointed Auditor/Accountant by the Ministerial Decree of 12.4.1995 published in the G.U. as No. 31/bis on 21.4.1995. He provided his services to Finmeccanica S.p.A. since 1971 in the Inspection, Finance and Accounting department, and was appointed director when he moved to the Accounting, Economic Control and Planning department (in 1977); he was appointed Assistant Central Director in 1989. In 2000 he retired. He has held positions as Director, Chairman of the Board of Internal Auditors and Statutory Auditor in companies in which the Finmeccanica Group has stakeholdings. He currently holds positions as Statutory Auditor in a number of companies. At the date of this Report he does not hold any management or auditing positions in other listed companies.

## **DOMENICO LUNEDEI**

Born in Rome on 18 January 1942, he has been registered on the Register of Commercial Consultants since 1967 and was subsequently appointed Auditor/Accountant. He is registered on the Register of Technical Consultants at the Court of Rome and on the list of arbitrators with the C.C.I.A.A. Chamber of Arbitration in Rome.

With regard to his professional activities, these have gained significant experience in the area of corporate, contract and fiscal consultation and assistance with fiscal disputes, in addition to activities providing assistance with group restructuring operations (involving strategic, legal/commercial, organisational, company related and fiscal activities), and in the context of mergers, demergers, divisions and company transfers. He currently acts as Auditor to a number of large firms and has held the same position also in companies listed on the Stock Market (MIB 30). At the date of this Report he does not hold management or auditing positions in other listed companies.

In a letter dated 20 December 2007, with the aim of assisting the Board of Internal Auditors, the Company's General Secretary carried out inquiries to ascertain that the Company's auditors satisfy the criteria of independence stipulated by the legislation in force and by the Code, as interpreted in accordance with the Italian Stock Market Guidelines and Regulations.

The Statutory Auditors have confirmed to the Company that they satisfy the criteria of independence stipulated for the members of the Board of Internal Auditors in accordance with relevant legislation and the Code.

Furthermore, no member of the Board of Internal Auditors has declared that he has any other interests on his own account or on behalf of third parties with reference to the Company's operations.

Subsequently, on 11 March 2008, the Board of Internal Auditors noted the positive outcome of these inquiries into the fulfilment of criteria stipulated for the members of said Board and ascertained that the Statutory Auditors did not have any interests on their own account or on behalf of third parties with reference to the Company's activities.



### **4.5.3 MEETINGS OF THE BOARD OF INTERNAL AUDITORS AND ATTENDANCE OF BOARD OF DIRECTORS MEETINGS**

During financial year 2007 eight meetings were held.

Below are details of the individual attendance of the Board of Internal Auditors meetings by each of the Statutory Auditors, and of the 10 Board of Directors meetings held in 2007.

<b>Members</b>	<b>Number of attendances of Board of Internal Auditors meetings</b>	<b>Number of attendances of Board of Directors meetings</b>
Paolo Colombo	8/8	10/10
Antonio Rosina	7/8	9/10
Francesca Tripodi	6/8	8/10

Each absence was duly justified.

### **4.5.4 ROLES AND DUTIES**

In addition to the duties attributed to them by law, by means of periodic meetings the Board of Internal Auditors monitors the auditing firm's activities and approves in advance the conferring, on the auditing firm, of further duties by the Company and by the Group companies, in compliance with the provisions of article 160 of the TUF.

During the course of its activities the Board of Internal Auditors: (i) has monitored the independence of the auditing firm, verifying both compliance with the relevant regulatory provisions, and the nature and extent of the activities other than the inspection of the Company's accounts and those of its subsidiaries by the auditing firm itself and by entities belonging to its network, and (ii) has coordinated with the internal audit function and with the CCI in the performance of its activities through specific meetings.

## **4.6 PROCESSING CONFIDENTIAL INFORMATION**

### **4.6.1 RULES GOVERNING CONFIDENTIAL INFORMATION AND CREATION OF THE REGISTER**

Following adoption of the EU regulations regarding abuses of the market, on 24 March 2006 the Board approved two Internal Regulations which, though containing the same basic principles, apply respectively to the Italian subsidiaries and to the foreign subsidiaries.

These regulations are aimed at ensuring compliance by Ansaldo STS with its obligations as a listed company, relating to:

- the safekeeping and updating methods of the "Register of persons with access to confidential information", in accordance with and for the purposes of article 115-bis of the TUF;

- the flow of information between companies in the Group and Ansaldo STS, with regard in particular to those events and circumstances which constitute, or might constitute, confidential information under the terms of article 181 of the TUF;
- the management and processing of confidential information, and the ways such information is distributed.

In particular, with regard to the foreign subsidiaries, on the basis of the provisions of article 152-bis, paragraph 4, of the Issuers' Regulations, it was deemed appropriate, for the purposes of optimising these processes, to create and keep a single register (the so-called "Group Register"), managed directly by Ansaldo STS, whereby these regulations would be complied with by Ansaldo STS and by all its foreign subsidiaries. The provisions of the Regulations relating to the foreign subsidiaries are thus aimed at regulating the processing of confidential information and the measures to be adopted by the foreign subsidiaries in order to enable Ansaldo STS to collect the necessary data in the appropriate manner and to ensure that the Group Register is properly kept. The Company's General Secretary was appointed as the person responsible for keeping the Group Register, and the Officer responsible for the Company's Legal and Corporate Affairs Function was appointed as his deputy.

The Regulations relating to the Italian subsidiaries are aimed at regulating the processing of confidential information and the way in which the register is created and kept directly by said subsidiaries.

In any case, with regard to the subsidiaries, that is for both Italian and foreign companies, in accordance with article 114 of the TUF, assessment of the confidential nature of information to be made available to the public is submitted to the Company's Managing Director who is also responsible for the prompt communication of such information.

The aforesaid Regulations may be consulted on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

#### **4.6.2 CODE OF INTERNAL DEALING**

In the context of procedures for the handling and communication of information relating to the Company, on 24 March 2006 the Board of Directors adopted the Code of Conduct on Internal Dealing (the "Code of Internal Dealing"), aimed at regulating the flows of information in connection with operations identified by CONSOB as relating to shares issued by the Company or to other related financial instruments (the so-called significant operations) and performed, in some cases through intermediaries, by the Company's "significant parties" or by persons "closely associated" with it, as defined in article 152-sexies of the Issuers' Regulations.

The Code of Internal Dealing also contains the so-called "Blocking Periods" during which the relevant parties are expressly prohibited from engaging in significant operations.

These "Blocking Periods" have been identified as follows:

- 15 days prior to the Board of Directors' approval of the draft financial statements, the half-year report and the quarterly reports, up to the point of the distribution to the market of the Board's press release;

- other periods during which the Board or, in the event of an urgent situation, its Chairman and/or Managing Director, also acting independently from each other, decides to prohibit or limit the performance of such Significant Operations.

The Code of Internal Dealing may be consulted on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

#### **4.7 SHAREHOLDERS' MEETINGS**

For the convening, planning and management of Company meetings particular attention must be given to ensure maximum participation by Shareholders, and to ensure the highest level of quality of information with which they are provided in such circumstances, in compliance with the obligations and procedures applicable to the distribution of price sensitive information.

The convening of Meetings will take the form of a notice of meeting published in the Gazzetta Ufficiale [Official Gazette], in addition to publication in at least one daily newspaper with national coverage.

In accordance with article 12.1 of the Company's Articles of Association, "*In order to take part in meetings, notice thereof must be submitted through an authorised financial intermediary as prescribed by law, at least two clear days prior to the date scheduled for said meeting*". In order to facilitate the receipt of powers of attorney from the Company's shareholders and from those of its subsidiaries forming part of an association of shareholders who fulfil the requirements laid down in the relevant regulations, the Articles of Association provide that, in accordance with the terms and procedures agreed on from time to time with their legal representatives, said associations may be provided with space for communication purposes and for carrying out those activities pertaining to the collection of powers of attorney.

With regard to the methods for the conduct of Meetings, on 12 December 2005 the Meeting approved a set of Meeting Regulations. These Regulations define the procedures adopted for ensuring that meetings are conducted in an orderly and effective manner, ensuring that each shareholder has the right to speak on matters on the agenda, and for defining certain other aspects (maximum duration of interventions; voting methods and the conducting of the voting procedure, etc.), aimed at ensuring the meeting's business is correctly conducted. In particular, it was decided that those wishing to speak must make a request to the Chairman or – on his instructions – to the Secretary, submitting a written request containing details of the matter to which the request refers, once the items on the agenda have been duly read out. The Meeting Regulations, distributed to all Shareholders at each shareholders meeting, may also be consulted on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

The Board must report on the activities carried out and those planned at least on the occasion of the approval of the annual financial statements, or whenever it deems it appropriate. In order to enable shareholders to take decisions appropriate to the shareholders meeting, with full knowledge of the facts, the Board publishes detailed reports on each item on the agenda (for those matters that fall within its remit). These reports are also made available for consultation on the Company's website: [www.ansaldo-sts.com](http://www.ansaldo-sts.com).

## **4.8 RELATIONS WITH INVESTORS**

With reference to the importance – emphasised by the Code – of establishing ongoing, professional relations with all the Shareholders and with banking investors, the Company has set up the “Investor Relations” Function headed by an Officer, whose activities are entirely devoted to this particular aspect.

Above all this Function provides all the key information necessary in order that the financial market can gain a coherent perception of the Company consistent with the intrinsic value of the Group’s activities/assets.

The aim is to develop a continuous and transparent dialogue with the Italian and international financial community, based on a clear strategic perspective on the Company’s business and its development.

The Investor Relations Function maintains ongoing communications with the Shareholders and Analysts, also by issuing Guidance and also through close monitoring of the consensus estimate.

It is envisaged that during the course of the year a number of events will be organised aimed at improving the financial market’s awareness/knowledge of the Group, and at presenting its economic and financial results and their foreseeable development (economic and financial Guidance).

The aim is to organise at least two institutional roadshows with the Company’s Top Management during the course of the year, ideally on the occasion of publication of the annual and half-year result, in line with the well established best practice of listed companies. The roadshows, with a minimum duration of two days, will be held on the main European and international financial markets.

The other events organised by the Investor Relations Function include: conference calls for the financial market in the context of publication of the quarterly results and/or for the performance of extraordinary operations and transactions; visits to the subsidiaries’ plants, usually preceded by a presentation of the Company by its Top Management.

The Officer responsible for the Investor Relations Function, who answers direct to the Managing Director, is Andrea Razeto.

### **Correspondence**

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Rome, 13 March 2008

For the Board of Directors  
The Chairman  
Alessandro Pansa

**TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES**

Board of Directors						Internal Control Committee		Remuneration Committee		
DIRECTOR	POSITION	EXECUTIVES	NON EXECUTIVES	INDEPENDENT CODE TUF	ATTENDANCES*/ MEETINGS	NUMBER OF OTHER POSITIONS*****	MEMBERS	ATTENDANCES*/ MEETINGS	MEMBERS	ATTENDANCES*/ MEETINGS
Alessandro Pansa**	Chairman	X			10/10	3				
Sante Roberti	Vice Chairman	X			9/10					
Sergio De Luca***	AD	X			5/5***					
Giovanni Roberto Gagliardi ****	AD	X			6/6****					
Sergio Maria Carbone	Director		X	X	X	10/10	3	X (Chairman)	9/9	
Maurizio Cereda <sup>(°)</sup>	Director		X	X	X	9/10	1	X	9/9	X (Chairman)
Gabriele Falciasecca <sup>(°)</sup>	Director		X	X	X	9/10				X 7/8

<sup>(°)</sup> Director appointed by the minority shareholders

\* Each absence from Board of Directors and Committees meetings has been duly justified.

\*\* The Chairman is regarded as executive exclusively where contemplated in the Code in that, though he has not been vested with particular powers by the Board, and thus does not perform an executive role within the Company, he does hold the position of Joint Managing Director of Finmeccanica S.p.A. to whose management and coordination Ansaldo STS is subject.

\*\*\* Director appointed pursuant to article 2386 of the Civil Code, dated 14 June 2007, replacing engineer Giovanni Roberto Gagliardi who resigned.

\*\*\*\* Resigned on 14 June 2007

\*\*\*\*\* This column shows the number of positions as director or internal auditor held by the person in question In other companies on regulated markets (including foreign markets) in finance, banking and insurance companies and companies of significant size. Please refer to the actual report for further details.

**TABLE 1: STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES**

Board of Directors							Internal Control Committee		Remuneration Committee		
DIRECTOR	POSITION	EXECUTIVES	NON EXECUTIVES	INDEPENDENT CODE	TUF	ATTENDANCES* / MEETINGS	NUMBER OF OTHER POSITIONS****	MEMBERS	ATTENDANCES* / MEETINGS	MEMBERS	ATTENDANCES* / MEETINGS
Gerlando Genuardi*	Director		X	X	X	3/3*					
Mauro Gigante**	Director		X			7/7**				X	5/6**
Francesco Lalli***	Director		X			9/10				X	1/2***
Attilio Salvetti	Director		X	X	X	9/10		X	9/9		

\* Director appointed pursuant to article 2386 of the Italian Civil Code on 27 September 2007, replacing Mauro Gigante who had resigned.

\*\* Resigned on 27 September 2007.

\*\*\* Appointed member of the Remuneration Committee on 27 September 2007, replacing Mauro Gigante who had resigned.

**TABLE 2: BOARD OF INTERNAL AUDITORS: STATUTORY AND DEPUTY AUDITORS**

<b>AUDITOR</b>	<b>POSITION</b>	<b>INDEPENDENCE AS PER THE CODE</b>	<b>NUMBER OF OTHER POSITIONS HELD*</b>	<b>ATTENDANCES** / BOARD OF INTERNAL AUDITORS MEETINGS</b>
<b>PAOLO COLOMBO</b>	<b>Chairman</b>	<b>X</b>	<b>6</b>	<b>8/8</b>
<b>ANTONIO ROSINA</b>	<b>Statutory Auditor</b>	<b>X</b>	<b>--</b>	<b>7/8</b>
<b>FRANCESCA TRIPODI</b>	<b>Statutory Auditor</b>	<b>X</b>	<b>--</b>	<b>6/8</b>
<b>PIETRO CERASOLI</b>	<b>Deputy Auditor</b>	<b>---</b>	<b>--</b>	<b>---</b>
<b>DOMENICO LUNEDEI</b>	<b>Deputy Auditor</b>	<b>---</b>	<b>--</b>	<b>---</b>

\* The positions indicated are those held in other listed companies on regulated market.

\*\* Each absence from the Board of Internal Auditor

**TABLE 3: OTHER PROVISIONS OF THE SELF-REGULATING CODE**

	YES	NO	SUMMARY OF THE REASONS FOR DEPARTURE FROM THE RECOMMENDATIONS OF THE CODE
<p><b>SYSTEM OF DELEGATED POWERS AND OPERATIONS/TRANSACTIONS WITH ASSOCIATED PARTIES</b></p> <p>The Board of Directors has conferred powers, defining their:</p> <p>A. LIMITS <span style="float: right;">X</span></p> <p>B. METHODS FOR EXERCISING THOSE POWERS <span style="float: right;">X</span></p> <p>C. AND FREQUENCY OF INFORMATION? <span style="float: right;">X</span></p> <p>Has the Board of Directors reserved the right to examine and approve the operations/transactions of particular economic, assets related and financial importance (including operations/transactions with associated parties)? <span style="float: right;">X</span></p> <p>Has the Board of Directors defined guidelines and criteria for the identification of “significant” operations/transactions? <span style="float: right;">X</span></p> <p>Are the above guidelines and criteria described in the report? <span style="float: right;">X</span></p> <p>Has the Board of Directors defined appropriate procedures for examination and approval of operations/transactions with associated parties? <span style="float: right;">X</span></p> <p>Are the procedures for the approval of operations/transactions described in the Report? <span style="float: right;">X</span></p>			
<p><b>PROCEDURES FOR THE MOST RECENT APPOINTMENT OF THE BOARD OF DIRECTORS AND OF THE BOARD OF INTERNAL AUDITORS</b></p> <p>DID THE SUBMISSION OF CANDIDATES NAMES FOR THE POSITION OF DIRECTOR TAKE PLACE AT LEAST TEN DAYS IN</p>	*		



<p>ADVANCE?</p> <p>WAS THE SUBMISSION OF CANDIDATES' NAMES FOR THE POSITION OF DIRECTOR ACCOMPANIED BY FULL INFORMATION?</p> <p>WERE THE NAMES OF CANDIDATES FOR THE POSITION OF DIRECTOR ACCOMPANIED BY DETAILS OF THEIR SUITABILITY TO QUALIFY AS INDEPENDENT DIRECTORS?</p> <p>DID THE SUBMISSION OF CANDIDATES' NAMES FOR THE POSITION OF INTERNAL AUDITOR TAKE PLACE AT LEAST TEN DAYS IN ADVANCE?</p> <p>WAS THE SUBMISSION OF CANDIDATES' NAMES FOR THE POSITION OF INTERNAL AUDITOR ACCOMPANIED BY FULL INFORMATION?</p> <p><b>MEETINGS</b></p> <p>HAS THE COMPANY APPROVED RULES TO GOVERN MEETINGS?</p> <p>ARE THESE RULES ATTACHED TO THE REPORT (<u>OR DOES IT SPECIFY WHERE THESE MAY BE CONSULTED</u>)?</p>	<p>X</p> <p>X</p> <p>*</p> <p>X</p> <p>X</p> <p>X</p> <p>X</p>		
<p><b>INTERNAL CONTROL</b></p> <p>HAS THE COMPANY APPOINTED PERSONS FOR THE INTERNAL CONTROL FUNCTION?</p> <p>ARE THOSE PERSONS HIERARCHICALLY INDEPENDENT FROM THOSE RESPONSIBLE FOR THE OPERATIONAL AREAS?</p> <p>ORGANISATIONAL UNIT ENVISAGED FOR INTERNAL CONTROL (PURSUANT TO ART. 8.C.1. OF CODE)</p> <p><b>INVESTOR RELATIONS</b></p> <p>HAS THE COMPANY APPOINTED A PERSON</p>	<p>X</p> <p>X</p>		<p><b>INTERNAL AUDIT FUNCTION</b></p>

<p>RESPONSIBLE FOR INVESTOR RELATIONS?</p>   <p>ORGANISATION UNIT AND DETAILS (ADDRESS / TELEPHONE NUMBER / FAX NUMBER / E-MAIL ADDRESS) OF THE PERSON RESPONSIBLE FOR INVESTOR RELATIONS</p>	<p><b>X</b></p>	<p><b><i>INVESTOR RELATIONS FUNCTION</i></b>  Dott. Andrea Razeto  c/o Ansaldo STS S.p.A.  Via P. Mantovani 3-5,  16151 Genoa  Tel. +39 010 655 2068  Fax +39 010 655 2055  Dedicated e-mail  address:  investorelations@ansaldo-sts.com</p>
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\* The appointment of the members of the Board of Directors and of the Board of Internal Auditors took place on a date prior to Ansaldo STS's listing; therefore the list voting mechanism was not applied. It is pointed out, however, that subsequent to listing, the Board was supplemented by two directors appointed at an Ordinary Minority Shareholders Meeting.

