BOARD OF DIRECTORS

ROLE, ORGANISATION AND METHODS OF OPERATION
Section 1
The Board of Directors

The Company is managed by a Board of Directors with no less than seven and no more than thirteen members. The assembly of shareholders shall decide on the number of Members within these limits before electing the Board.

Pursuant to section 23.1 of the Company’s By Laws, Company management shall be reserved exclusively for the Directors, who shall perform the operations required to pursue the Company’s purpose.

In addition to exercising their powers under the law, the Board of Directors also has the authority to pass resolutions regarding:

a) merger by incorporation or division, pursuant to sections 2505, 2505 bis and 2506 ter, last paragraph, of the Italian civil code;
b) opening and closing of branch offices;
c) adaptation of the Company’s By Laws to the provisions of the law;
d) notification of the issuer of public offers for purchase or exchange pursuant to section 39 of Consob Resolution no. 11971 dated May 14, 1999.
e) the reduction in share capital in the event of the withdrawal of one or more shareholders.

Section 2
Role of the Board of Directors

The Board of Directors:

a. examines and approves the strategic, industrial and financial plans of the Company and the Group to which it belongs, the Company’s corporate governance system and group structure;
b. assesses the adequacy of the organisational, administrative and general accounting set-up of the Company and its subsidiaries of strategic importance\(^1\) ordered by the

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\(^1\) For this purpose subsidiaries of strategic importance are considered to be companies which the December 19, 2006 Board resolution assigned to manage a region in the organisational model adopted, and therefore: Union Switch & Signal Inc., Ansaldo STS France S.A., Ansaldo STS Australia PTY and Ansaldo Trasporti Sistemi Ferroviari S.p.A.
Managing Director, once a year with specific reference to the adequacy, efficacy and effective functioning of internal auditing systems and handling of conflicts of interest;

c. assigns and revokes powers of the Managing Director, excluding those reserved for the exclusive decision-making power of the Board under section 2381 of the Italian civil code, and in relation to the provisions of section 24.1 of the Company’s By Laws, setting limits on them and determining the methods of their execution².

d. having examined the proposals of the Remuneration Committee and consulted the Board of Auditors pursuant to section 2389, paragraph 3 of the Italian civil code, determines economic and regulatory treatment of the Managing Director, through the Remuneration Committee, which has been specifically appointed, and of other directors holding particular offices, including sitting on Committees set up by the Board of Directors. The Board also determines how the total amount payable to the members of the Board will be split up, if the shareholders’ assembly has not already done so;

e. assesses overall management trends, specifically taking into consideration the information received from appointed bodies and periodically comparing the results achieved with those planned;

f. examines and approves the transactions of the Company and its subsidiaries in advance, when these transactions have significant strategic, economic, property or financial importance for the Company, paying special attention to situations in which one or more directors have an interest of their own or for a third party and transactions with related parties in general, establishing general criteria for identification of transactions of significance in this regard;

g. at least once a year, assesses the size, composition and functioning of the Board itself and its committees, possibly expressing guidelines regarding the professional skills required on the Board;

h. provides information in the report on corporate governance regarding the performance of the tasks listed above and specifically the number of meetings the Board has held during the year and the degree to which each Director participated in them.

² Under section 23.3 of the Company’s By Laws, the appointed bodies must report to the Board Directors and the Board of Auditors at least once every quarter on the activities performed, overall trends and predictable future trends in management and transactions of particular economic, financial, property significance or of particular importance in view of their size or nature.
Section 3
The Board’s Activities

The Board of Directors appoints a Managing Director from among its members to whom it delegates legal representation of the Company and responsibility for directing and managing the Company and its offices and agencies, resolving on and performing all deeds involved in ordinary Company administration. The Board shall reserve for its own decision-making powers all activities identified in sections 2381 of the Italian civil code and 23.2 of the Company’s By Laws, as well as the following:

1. definition of the company’s strategic and organisational guidelines, including approval of plans, schedules and budgets;
2. in addition to point 1, approval of individual investments, both tangible and intangible, if not obligatory and if worth more than Euro 500,000;
3. purchase and sale of investments and shares in other companies, whether existing or newly established, also through exercise or renunciation of right of first call, contribution, usufruct, lien and other acts of disposal, also in the context of joint ventures or of subjection of the investments to constraints;
4. transfer, contribution, rental, usufruct and all other acts of disposal or subjection to constraints of the company or branches thereof; acquisition, rental and usufruct of companies or branches of companies belonging to other enterprises;
5. capital transactions, establishment, transformation, stock exchange listing, merger, division, winding-up and stipulation of shareholders' agreements for direct subsidiaries;
6. appointment of Directors and Auditors in direct subsidiaries;
7. medium and long term payable and receivable financial transactions, excluding transactions covering exchange risk on projects;
8. granting of guarantees, including suretyships and mortgages, with the exceptions specified in point 24 of the Managing Director’s powers;
9. purchase, barter and sale of real property and real property contracts with a duration of more than nine years;
10. stipulation of agreements worth more than Euro 50,000,000 (fifty million) or involving a high degree of commitment or risk;
11. stipulation of contracts for ongoing consulting services with a duration of more than one year or worth more than Euro 50,000;
12. hiring, promotion and dismissal of Executives;
13. Prior authorisation for subsidiaries' transactions of significant strategic, economic, equity or financial significance; this expressly includes presentation of offers and stipulation of supply contracts by subsidiaries which (i) are worth more than Euro 50,000,000 (fifty million) or (ii) involve a significant amount of commitment or risk, including projects with an economic value added (EVA) of less than 2% of total revenues.

The Managing Director shall report to the Board at least once every three months at Board meetings on the exercise of its powers, and shall also periodically report on general trends in management and its predictable future evolution and on the transactions of greatest importance in economic, financial or equity terms or in terms of their size or of the features of the Company's or subsidiary's implementation of Board resolutions. The Managing Director shall also report on transactions in which he has an interest, either directly or on behalf of a third party.

The Company's offices shall provide periodic information on new regulations and legislation applicable to the Company and Company Bodies and assist each of the Directors in studying areas of particular interest to them in the performance of their mandate.

In addition, the Chairman of the Board of Directors may conduct all initiatives considered useful to ensure that Directors improve their awareness of the Company's situation and dynamics in order to perform their work more effectively.

Section 4
Committees

The Board shall set up Committees of its members to assist the Board in performing its tasks as described above.

For this purpose the Board of Directors establishes an Internal Control Committee and a Remuneration Committee.

The tasks and members of each Committee shall be determined by resolution of the Board of Directors at the time of their establishment, and the Board shall also determine, after consulting the Board of Auditors, additional remuneration for sitting on these Committees.

The Internal Control Committee shall be made up of non-executive independent Directors.
The Remuneration Committee shall be made up of non-executive Directors, the majority of whom shall be independent.
At least one member of the Internal Control Committee must have adequate experience in finance and accounting.
The Committees may avail themselves of external consultants at the Company’s expense.
The Internal Control Committee and the Remuneration Committee shall be subjected to specific regulations establishing procedures for operation in relation to the tasks assigned to them.
Committees shall periodically report to the Board on their work.

Section 5
Independent Directors

While each Director must fulfil his duties with the diligence required by the nature of the office and his own specific know-how, the Board of Directors shall periodically assess the independence of its members in order to detect the potential existence of relationships which could affect their independence of judgement.
Once a year the Board of Directors shall assess the independence of its non-executive members on the basis of information provided by them and the principles and criteria contained in section 3.C.1. of the Corporate Governance Code for Stock Exchange Listed Companies and, for this purpose, after having consulted the Board of Auditors, shall determine the content and methods by which Directors shall provide this information and the criteria applicable to the Company, listed below.

Application criteria for assessment of independence
The Board of Directors shall assess the independence of its non-executive members having regards to both the contents and form, taking into account that a director does not normally appear to be independent under the following circumstances, to be considered not obligatory:
a) if the Director owns the Company or is capable of exercising significant influence over it, either directly or indirectly, through subsidiaries, trust companies or intermediaries, or participates in a shareholders’ agreement under which one or more parties may exercise control or a significant influence over the Company. In the specific case at
hand, shareholders who own at least 10% of the Company’s shares, either directly or indirectly, are considered to exercise significant influence;
b) if the Director holds, or has held in the past three years, a position of significance – Chairman, executive Director or Director with powers, General Director or executive with strategic responsibility - in the Company, in a subsidiary of strategic importance or a company owned by the same owner as Ansaldo STS, or a company or organisation which, alone with other shareholders in a shareholders’ agreement, controls the Company or is capable of exercising significant influence over it as defined in point a);
c) if, either directly or indirectly (for instance through subsidiaries or companies in which the Director plays a significant role, or as partner in a professional studio or consulting firm) the Director has, or has had in the previous year, significant commercial, financial or professional relations, to be assessed on the basis of the economic value of the relationship and its significance in relation to the economic and equity situation of the Director involved:
   - with the Company, one of its subsidiaries, or a person holding a position of significance in one of these as defined in point b);
   - with a party which, alone or with others in a shareholders’ agreement, controls the Company or – in the case of a company or organisation—with a person holding a position of significance in it as defined in point b);
   or if the Director is an employee of one of the above or has been within the past three years.
d) if the Director receives, or has received in the previous three years, significant additional remuneration from the Company, one of its subsidiaries or its parent company beyond the “fixed” fee payable to the Company’s non-executive directors, including participation in bonus plans linked with company performance, including those involving assignment of shares;
e) if the Director has been a Company director for more than nine out of the last twelve years;
f) if the Director holds the position of executive director in another company in which one of the Company’s executive directors acts as director;
g) if the Director is a shareholder or director in another company or organisation belonging to the network of the company entrusted with auditing the accounts of Ansaldo STS;
h) if the Director is closely related to a person in the circumstances described in one of the previous points, including a) the Director’s spouse or common-law spouse, not legally separated, b) the Director’s child or parent, c) the children of the Director’s common-law spouse or d) family members with whom the Director lives.

For the purposes of assessment of independence, the Board may in any case, in relation to specific situations applying to specific Directors, take into consideration all additional information considered useful and appropriate, adopting additional and/or partially different criteria having regard more to the contents than to the form.

The Board will submit its assessment of its members’ independence to the Board of Auditors, which will check for proper application of the criteria listed above and the investigation procedures adopted by the Board to determine its members’ independence.

The results of the Board’s assessment shall be announced to the market on the occasion of the appointment of Directors and in the annual report on corporate governance, specifying any parameters applied that may differ from those listed above and providing motivation for their use.

The result of the Board of Auditors’ check shall be announced to the market in the annual report on corporate governance or the Auditors’ report to the shareholders.

Independent Directors shall meet at least once a year without the other Directors. These meetings shall be summoned on the initiative of the independent Directors themselves.

Section 6
Summoning meetings

The Board of Directors shall be summoned to meet by its Chairman in a summons identifying the topics on the agenda for discussion.

Individual Directors may ask the Chairman to include specific topics on the agenda. The Chairman shall notify the Director who made such a request if it is not accepted.
Section 7
The Summons

The summons to meet shall be sent at least three clear working days before the meeting by telegram or fax to the address each member of the Board of Directors and the Board of Auditors has provided to the Secretary of the Board.
In urgent cases, to be assessed at the Chairman's discretion, the summons to meet shall be sent as promptly as possible, in view of the specific circumstances.

Section 8
Supporting documentation

In order to permit discussion of the topics on the agenda, each Director and Auditor shall be sent supporting documentation providing the principal items of information required for adequate knowledge and assessment of the topics on the agenda, in relation to the subject of the resolutions to be voted on during the meeting.
The supporting documentation is prepared by the Secretary of the Board on the basis of information sheets containing the principle items of information required by each member of the Board to acquire sufficient knowledge to vote on the resolution.

Section 9
Sending documentation

Supporting documentation will be sent to each Director and Auditor by e-mail or fax on the same date as the summons to meet, where possible, and in all cases within the third day prior to the meeting, except in urgent cases, when the documentation will be provided as promptly as possible.
If the Chairman considers it appropriate in relation to the content of the topic and the corresponding resolution, documents containing information may be supplied directly during the meeting, notifying the Directors and Auditors in advance by the deadline specified in the previous paragraph, and ensuring that they may have access to the information in the company’s offices in the days leading up to the meeting. The Chairman
shall check that the information has been made available to the Directors and Auditors in the offices when opening the meeting.

**Section 10**

**Attendance at meetings**

It is possible to attend Board meetings by tele-conferencing or video-conferencing on the condition that the Secretary of the Board is notified in advance, and that all participants may be identified and may simultaneously follow and participate in discussion of the topics on the agenda and view documents in real time.

The Chairman may invite Company executives, other parties or external consultants whose presence the Chairman considers useful in relation to the topics on the agenda to participate in the Board meeting.

These parties shall be required to comply with the confidentiality requirement applicable to Board meetings.

**Section 11**

**Meetings and resolutions**

Board meetings are chaired by the Chairman in the way considered most appropriate to permit optimal performance of the Board’s work.

Resolutions shall be passed as specified by law and by the Company’s By Laws.

Resolutions regarding transactions with related parties shall be subject to the specific criteria and guidelines applicable to identification of these transactions and the corresponding behavioural principles approved by the Board of Directors.

**Section 12**

**Minutes of the meetings**

After the meeting a draft of the minutes will be sent to all Directors and Auditors for their comments, which will be collected by the Secretary of the Board.
The Secretary will then prepare the final text of the minutes, which will be submitted to the
Chairman’s approval and then copied into the company books.
A portion of the minutes pertaining to resolutions adopted requiring immediate execution
may be certified and extracted by the Chairman and the Secretary even prior to completion
of the process of verification of the complete minutes of the meeting containing any
statements made.
The supporting documentation distributed to Directors and Auditors will be filed among the
Board’s documents.

Section 13
Confidentiality requirement

Directors and Auditors shall be required to keep documents and information acquired in
the performance of their duties strictly confidential.
They shall also be required to comply with the Company’s rules pertaining to distribution of
documents and information of this type, in accordance with specific internal procedures
regarding the management and handling of confidential and price-sensitive information.
It is up to the Managing Director to decide which information is price-sensitive; information
is distributed through the department in charge in compliance with the provisions of art.
114 of Legislative Decree no. 58/98 and the current CONSOB and Borsa Italiana S.p.A.
regulations.

Section 14
Calendar of company events

In compliance with the obligations of stock-exchange listed companies as specified in
Borsa Italiana S.p.A.’s market regulations, once a year the Board of Directors shall
approve the calendar of the principal company events, to be distributed without delay and
in all cases by January 30 of each year.
The calendar shall specify the dates for approval of the draft financial statements, the half-
year report and the quarterly reports at the Board meetings scheduled for the new year
and the date of the shareholders’ meeting for the approval of the Company’s financial statements.

The calendar will also specify the dates of any Board of Directors’ meetings held to approve figures prior to the final ones and the dates set for presenting accounting data to financial analysts.

If one or more of the dates is identified in the annual calendar in the form of an interval of time, the Company shall notify Borsa Italiana of the dates set for the corresponding events as promptly as possible.

Section 15
The Board of Directors’ assessment

At least once a year the Board of Directors will assess the size, composition and functioning of the Board and its Committees, possibly expressing opinions on the professional figures whose presence on the Board is considered appropriate. The Board will notify the market of this assessment in its report on corporate governance, and may also decide to publish information on the results of the assessment.

Section 16
Transactions with related parties

The Board reserves for its own decision-making authority all transactions by the Company or its subsidiaries of strategic, economic, equity or financial significance for the Company, including those with related parties.

After consulting the Internal Control Committee, the Board will define and adopt “Guidelines and criteria for the identification of significant transactions and transactions with related parties” and “Behavioural principles for transactions with related parties”.

Transactions in which a Director has an interest, in his own right or on behalf of a third party, shall be approved and conducted on the basis of methods defined after consulting the Internal Control Committee. Specifically, Directors who have an interest, even potentially or indirectly, in the transactions submitted to the Committee’s examination shall notify the Board promptly and exhaustively of the existence and circumstances of this
interest. The same Directors shall absent themselves from the meeting at the time of discussion and voting, or abstain from discussion and voting if their absence would mean that the quorum required for the meeting is no longer obtained.

Section 17
Internal control system

The internal control system is the set of rules, procedures and organisational structures intended to permit healthy, correct management of the company consistently with its established goals through an adequate process of identification, measurement, management and monitoring of key risks.

The Board of Directors, with the assistance of the Internal Control Committee, defines the guidelines for the internal control system so that key risks for the Company and its subsidiaries can be correctly identified and adequately measured, managed and monitored, while at the same time determining the criteria of compatibility of these risks with healthy, correct company management.

Ansaldo STS’s internal control system currently includes:
- the Internal Control Committee;
- the person in charge of Internal Control;
- the Organisation for Surveillance of the implementation and efficacy of the Organisation, Management and Control Model.

The Board gives the Managing Director a mandate to superintend the internal control system, and he identifies key risks to the company, taking into account the characteristics of the work performed by the issuer and its subsidiaries and periodically submitting them to the Board for examination, implementing the Board’s guidelines, planning, implementing and managing the internal control system, constantly checking its overall adequacy, efficacy and efficiency, and adapting the system to the dynamics of operating conditions and the legislative and regulatory scene.

In response to the Managing Director’s proposal, and having consulted the Internal Control Committee, the Board will appoint and revoke the appointment of the person in charge of Internal Control and determine the associated tasks and remuneration consistently with company policy.
At least once a year the Board will assess the adequacy, efficacy and effective operation of the internal control system with the aid of the Internal Control Committee.