

*The present is the English translation of the Italian official report approved by the Board of Directors on March 18, 2008. The present does not include any of the five attachments that are enclosed in the Italian version of the Report. For any difference between the two texts, the Italian text shall prevail.*

# **CORPORATE GOVERNANCE REPORT**

Drawn up in accordance with article 124-*bis* of the Consolidated Finance Act, article 89-*bis* of the Consob Regulations for Issuers and section IA.2.6 of the Instructions to the Regulations of Borsa Italiana S.p.A.

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## GLOSSARY

**2006 Code:** The Corporate Governance Code for Listed Companies approved in March 2006 by the Corporate Governance Committee and promoted by Borsa Italiana S.p.A.

**Board:** the Board of Directors of the Company.

**Company:** SAES Getters S.p.A.

**Consolidated Finance Act:** Legislative Decree no. 58 of 24 February 1998.

**Financial Year:** Financial year ended 31 December 2007.

**Savings Law:** Savings Protection Act no. 262 of 28 December 2005.

**Regulations for Issuers:** the Regulations concerning issuers published by Consob in resolution no. 11971 of 1999 as subsequently amended and supplemented.

**Regulations for Markets:** the Regulations concerning markets published by Consob in resolution no. 16191 of 2007.

**Report:** the Corporate Governance report which companies are required to prepare in accordance with articles 124-*bis* of the Consolidated Finance Act, article 89-*bis* of the Consob Regulation for Issuers and section IA.2.6 of the Instructions to the Regulations of Borsa Italiana S.p.A.

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## INTRODUCTION

The essential features of SAES Getters S.p.A.'s Corporate Governance system are based on the principles and recommendations contained in the Corporate Governance Code for Listed Companies published by Borsa Italiana S.p.A. in October 1999, as reviewed in July 2002, and in the new version published in March 2006 (hereinafter "**2006 Code**").

SAES Getters S.p.A.'s Corporate Governance system is substantially in line with the recommendations contained in the new 2006 Code with which the Board of Directors decided to comply on 21 December 2006, in the belief that the principles and provisions contained therein make an important contribution towards the achievement of correct business and corporate governance and towards the creation of value for Shareholders, thereby increasing the level of confidence and interest among national and international investors.

To this end, the Board deemed it worthwhile to review and supplement its own Corporate Governance Code in the light of the 2006 Code, with the aim of clearly formalising the rules of conduct applicable to its internal organisation structure, identifying roles and responsibilities and drawing more attention to the recommendations effectively applied and the respective procedures.

SAES Getters S.p.A.'s Corporate Governance Code is available on the Company's website (Investor Relations section Corporate Governance/Code of Conduct subsection).

The following Report provides the prescribed information about the Corporate Governance of SAES Getters S.p.A. and about its degree of compliance with the 2006 Code.

To compile the Report, the Company has largely used the experimental format circulated by Borsa Italiana S.p.A. on 5 February 2008, although not mandatory and although not following the same expositive index; the use is due to the preference to adopt a "comply how/non-comply why" approach, because deemed in line with the layout of both the 2006 Code and article 89-bis of the Consob Regulations for Issuers.

The Company has brought its Governance into line with the new rules introduced by the Savings Protection Act no. 262 of 28 December 2005 (hereinafter "**Savings Law**") and, by resolution of the Extraordinary Shareholders' Meeting of 29 June 2007, brought its Company By Laws into line with the provisions introduced by Legislative Decree no. 303 of 29 December 2006 and the resulting regulations.

Neither the Company nor its subsidiaries are subject to foreign laws which affect the Corporate Governance structure of SAES Getters S.p.A.

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## 1. PROFILE

Pioneering the development of getter technology, the SAES Getters Group is the world leader in a variety of scientific and industrial applications where stringent vacuum conditions or ultra-pure gases are required. For over 60 years its getter solutions have been supporting innovation in the information display and lamp industries, in technologies spanning from large vacuum power tubes to miniaturised silicon-based micromechanical devices, as well as in sophisticated high vacuum systems and in vacuum thermal insulation. Group also holds a leading position in ultra pure gas handling for the semiconductor and other hi-tech markets. Starting in 2004, by leveraging the core competencies in special metallurgy and materials science, the SAES Getters Group has expanded its business into advanced materials markets, with the introduction of the new optical crystal and shape memory alloy product lines. A total production capacity distributed at 10 manufacturing plants across 3 continents, a worldwide-based sales & service network, more than 900 employees allow the Group to combine multicultural skills and expertise to form a truly global enterprise. SAES Getters is headquartered in the Milan area. SAES Getters has been listed on the Italian Stock Exchange Market, STAR segment, since 1986.

In accordance with the By Laws, the management and control **model** adopted by the Company is a **traditional** model based on a Board of Directors and a Board of Auditors. Specifically, in this model, the Governance of the Company is characterised by the presence of:

- a Board of Directors responsible for the management of the Company;
- a Board of Auditors appointed to monitor compliance with the law and with the articles of association and adherence to the principles of correct administration in the performance of corporate activities and to check the adequacy of the Company's organisational structure, internal control system and administrative and accounting system;
- a Shareholders' Meeting, with powers to resolve according to legal provisions and to the Company By Laws in ordinary or extraordinary session.

Accounting auditing is entrusted to an independent audit firm.

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## **2. INFORMATION on OWNERSHIP (in accordance with art. 123 bis of the Consolidated Finance Act)**

The information given below, unless otherwise specified, is valid on the date of approval of this Report (18 March 2008).

### **2.1. SHARE CAPITAL STRUCTURE**

The fully paid-up share capital of SAES Getters S.p.A. is EUR 12,220,000 and is divided into 22,731,969 shares, broken down as follows:

- 15,271,350 ordinary shares (67.18% of the share capital)
- 7,460,619 non-convertible savings shares (32.82% of the share capital).

Both the ordinary shares and the savings shares are listed on the Italian *Mercato Telematico Azionario* managed by Borsa Italiana S.p.A.

All shares are no-par-value shares and currently have an implied book value (meaning the ratio between the total amount of share capital and the total number of shares issued) of EUR 0.537569.

The rights attached to the various categories of shares are specified in the By Laws, notably in articles 5, 6, 11, 26, 29 and 30.

An unrestricted voting right is granted to the owner of each ordinary share. Owners of savings shares are not entitled to any voting right.

Ordinary shares are available in registered form, savings shares are available in bearer or registered form at the shareholder's choice or as required by law. All shares are issued in dematerialised form.

Each share gives entitlement to a proportional part of the profits that it is decided to distribute and of the net worth resulting from liquidation, subject to the rights attached to savings shares, as described in articles 26 and 30 of the By Laws.

More specifically, the net profits for each year are distributed as follows:

- 5% to the legal reserve, until one fifth of the share capital has been reached;
- the remainder is distributed as follows:
  - savings shares are entitled to a preference dividend of 25% of the implied book value; if, in one financial year, a dividend of less than 25% of the implied book value has been allocated to savings shares, the difference will be made up by increasing the preference dividend in the following two years;
  - the remaining profit that the Shareholders' Meeting has resolved to allocate will be distributed among all shares in such a way as to ensure that savings shares are entitled to a total dividend that is higher than that of ordinary shares by 3% of the implied book value.

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If reserves are distributed, shares have the same rights irrespective of the category to which they belong.

In the event of liquidation, savings shares have priority in the reimbursement of capital for their implied book value.

The share capital may also be increased by issuing shares which have different rights from those of shares already issued. If the share capital is increased, holders of each category of shares are proportionally entitled to receive rights over newly issued shares of the same category and, failing this or for the difference, shares of another category (or other categories).

Resolutions to issue new shares which have the same characteristics as those already in issue do not require further approval from special meetings.

If ordinary or savings shares are excluded from trading, savings shares will be recognised the same rights to which they were previously entitled.

The Company does not have any share-based incentive schemes (stock options, stock grants, etc.) in place.

No shares have been issued which grant special controlling rights, nor are there any restrictions on voting rights or on the transfer of shares.

## 2.2. MAJOR SHAREHOLDINGS

S.G.G. Holding S.p.A. is the Company's majority Shareholder presently holding 7,887,410 ordinary shares representing 51.65% of the voting capital, to the knowledge of the Company based on the filings received in accordance with article 120 of Legislative Decree no. 58 of 24 February 1998 (hereinafter "**Consolidated Finance Act**") and with articles 152-sexies and 152-octies, paragraph 4, of Consob resolution no. 11971 of 14 May 1998 as subsequently amended (hereinafter "**Regulations for Issuers**").

In addition to S.G.G. Holding S.p.A., there are other entities which hold voting rights accounting for more than 2% of the subscribed capital, represented by voting shares, according to the entries in the share register updated on 29/02/2008, and based on filings received by the Company and other information. These entities are:

Declarant	Direct shareholder	% share of the ordinary capital	% share of the voting capital
Carisma S.p.A.	Carisma S.p.A.	5.57%	5.57%
The Tommaso Berger Trust	Fintrust S.A.	2.619%	2.619%
Morgan Stanley Investment Management Ltd	Morgan Stanley Investment Management Ltd	4.803%	4.803%

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### **2.3. SHAREHOLDERS' AGREEMENTS**

The Company is not aware of the existence of any shareholders' agreements governed by article 122 of the Consolidated Finance Act.

The agreement between a number of SAES Getters S.p.A. shareholders signed on 28 December 1999, an extract of which was published on 30 December 1999 in the newspaper "Italia Oggi", according to changes subsequently reported in the same newspaper, was cancelled in full and permanently on 28 July 2004, according to an advertisement published on 3 August 2004 in the newspaper "Italia Oggi".

### **2.4. APPOINTMENT AND REPLACEMENT OF DIRECTORS AND AMENDMENTS TO THE BY LAWS**

Directors are appointed by the Shareholders' Meeting on the basis of slates submitted by Shareholders, according to the procedure set out in article 14 of the By Laws, unless different or supplementary provisions are laid down in mandatory laws or regulations or depending on the Company's voluntary or mandatory compliance with codes of conduct drawn up by the management companies of regulated markets or by trade associations.

Slates for the appointment of Directors may be submitted by Shareholders who, at the time of submitting the slate, own, individually or together with other shareholders submitting slates, a percentage of the voting capital at least equal to the percentage determined by Consob under article 147-ter, paragraph 1, of the Consolidated Finance Act and in accordance with the provisions of the Regulations for Issuers.

For information purposes, on 29 January 2008, Consob published resolution no. 16319, specifying the percentage required for submitting slates of candidates for the election of the management and control bodies of companies that closed their financial year on 31 December 2007. The threshold for the Company was established at 2.5% of the share capital.

In line with application criterion 6.C.1 of the 2006 Code, slates, signed by those submitting them, are deposited by Shareholders at the registered office at least fifteen days before the scheduled date of the Meeting called to resolve on the appointment of directors. These slates are made available for consultation by the public at the registered office as well as at the market management company and on its website, under the terms and conditions laid down by the applicable regulations.

The slates specify no more than fifteen candidates, each allocated with a progressive number. Each slate must contain and expressly indicate at least one Independent Director<sup>1</sup>, with a progressive number no greater than seven.

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<sup>1</sup> Meaning a Director meeting the independence requirements stipulated therein as well as additional requirements laid down in the codes of conduct drawn up by the management companies of regulated markets or by trade associations with which the Company voluntarily or mandatorily complies.

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A Shareholder cannot submit or vote for more than one slate, including through an intermediary or through trust companies. A candidate may only be present in one slate, failing which he will be ineligible.

At the end of the voting, the candidates of the two slates which have obtained the highest number of votes will be elected, subject to the following criteria: (i) from the slate which obtained the highest number of votes ("Majority Slate"), all but one of the total number of Board members, as previously established by the Shareholders' Meeting, will be elected in the numerical order indicated in the slate; (ii) from the second slate which obtained the highest number of votes and which has no connection, not even indirectly, with the Shareholders who submitted or voted for the Majority Slate pursuant to the applicable provisions ("Minority Slate"), one director will be elected, namely the candidate indicated with the first number on that slate. However, if no Independent Director is elected from the Majority Slate, in the case of a Board of no more than seven members, or if only one Independent Director is elected, in the case of a Board of more than seven members, the first Independent Director indicated on the Minority Slate will be elected instead of the person at the top of the Minority Slate.

However, slates which have not achieved a percentage of votes equal to half that required for the submission of slates will not be taken into account.

In the absence of slates or if the number of Directors elected on the basis of slates submitted is less than the number determined by the Shareholders' Meeting, the members of the Board of Directors are appointed by the same Shareholders' Meeting according to statutory majorities, without prejudice to the obligation for the Shareholders' Meeting to appoint the necessary minimum number of Independent Directors.

## **2.5. POWERS TO INCREASE THE SHARE CAPITAL**

The Extraordinary Shareholders' Meeting of 27 April 2004 authorised the Board, pursuant to Article 2443 of the Italian Civil Code, to increase the share capital, with and/or without consideration, on one or more occasions within a period of five years of the date of the resolution, up to an amount of EUR 15,600,000, by issuing shares of any category to be allocated free of charge or offered in the form of rights. That power has so far not been exercised.

The withdrawal of the power to increase the share capital expiring in 2009 and the regranting of a similar power to the Board has been included on the agenda for the forthcoming Shareholders' Meeting (extraordinary session) scheduled for 23 and 24 April 2008 (at first and second call respectively).

Please refer to the special report to the Shareholders' Meeting prepared by the Directors on this subject, which will be deposited at the registered office, with Borsa Italiana S.p.A. and published on the Company's website [www.saesgetters.com](http://www.saesgetters.com), Investor Relations section, Corporate Documents subsection, within the time period required under existing law (i.e. at least 15 days before the date of the Shareholders' Meeting).

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## **2.6. TREASURY SHARES**

The Shareholders' Meeting of 9 May 2007 authorised the purchase of the Company's own shares up to a maximum of 2,000,000 ordinary and/or savings shares over a period of 18 months from the date of authorisation, taking due account of the shares already held in the portfolio by the Company, and subject in any event to statutory limits, for a price, including incidental purchase expenses, of no more than 5% and no less than 5% of the official share price in the trading session prior to each individual transaction.

During the 2007 financial year and in the first few months of 2008, the Board made use of the authorisation granted by the Shareholders' Meeting: as from 25 October 2007, following the adoption of a special resolution, the Board started a programme of buying own shares, with the aim of making an efficient investment of the Company's liquid assets and of trading with the Company's securities by encouraging their liquidity and regular trading.

In accordance with Italian legislation, the Company announced on 25 October 2007 the start of the buy back programme and today the closure of the same.

In implementing the purchase plan, the Company has acquired a total of 397,972 ordinary shares and 71,987 savings shares. The details regarding the implementation of the programme to purchase own shares were disclosed in regular press releases and with the filings to Consob required by legislation.

Presently, the Company holds 700,000 ordinary savings (4.58% of the ordinary shares issued by the Company) and 82,000 savings shares (1.10% of the non-convertible savings shares issued by the Company).

The revoking of the resolution concerning the purchase and use of own shares made by the Shareholders' Meeting on 9 May 2007, for the part not enjoyed, and the proposal to adopt a similar decision have been included on the agenda for the forthcoming Shareholders' Meeting (ordinary session) scheduled for 23 and 24 April 2008 (at first and second call respectively).

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## **2.7. CHANGE OF CONTROL CLAUSES**

Group companies, as part of their normal activities, are parties to supply contracts or cooperation agreements with customers, suppliers and industrial or financial partners which, as is commonplace in international agreements, contain clauses which grant the counterparty or each of the parties the right to terminate these agreements in the event of a change of control affecting the parent company SAES Getters S.p.A. or, more generally, one of the parties. None of these agreements is material in nature.

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## **2.8. DIRECTORS SEVERANCE**

The agreements in place between the Company and the executive directors Paolo della Porta, Massimo della Porta and Giulio Canale make provision, in the event of dismissal by the Shareholders' Meeting without valid reason, for compensation to be paid in an amount equal to the annual fee determined by the Board on 27 April 2006.

In the case of resignation, no compensation is payable to the executive director, who is obliged to give three months' notice.

Provision is made for a consideration equal to the annual fee determined by the Board on 27 April 2006, to be paid for two years after the end of the term of office, for the non-competition agreement signed by the Directors.

For information on the fees received by the directors during the Financial Year, please refer to the special report included in the Notes to the Financial Statements.

Note, finally, that, in accordance with the shareholders' resolution of 27 April 2006, a percentage (18%) of the fixed and variable compensation is set aside by the Company by way of Directors Severance Pay, pursuant to articles 17, 50, 105 and 109 of Presidential Decree 917/86, with the aim of creating a final total retirement benefit in line with that of other managers who work for the Company. The sums set aside will be used to take out a suitable Directors Severance Pay insurance policy in line with legal requirements, aimed at guaranteeing the disbursement of the final benefit.

Please refer to section 4.7 for further information on the remuneration of the Directors.

## **3. MANAGEMENT AND COORDINATION ACTIVITY**

The Company is not subject to management and coordination within the meaning of article 2497 et seq of the Italian Civil Code.

For the purposes of article 37, paragraph 2, of Consob Resolution no. 16191 of 29 October 2007 as subsequently amended ("Regulations for Markets"), it is specified that, following assessment by the Board, S.G.G. Holding S.p.A. does not manage and coordinate SAES Getters S.p.A. within the meaning of article 2497 of the Italian Civil Code, in relation to the majority interest held by the former. This is based on the fact that S.G.G. Holding S.p.A. does not play any role in the definition of the long-term strategic plans and annual budget and in investment choices, does not approve specific and significant operations of SAES Getters S.p.A. and of its subsidiaries (acquisitions, sales, investments, etc.) and does not coordinate business initiatives and actions in the sectors in which the latter and its subsidiaries operate.

SAES Getters S.p.A. has its own organisational and decision-making independence as well as independent negotiation capacity in relations with customers and suppliers.

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## 4. BOARD OF DIRECTORS

### 4.1. COMPOSITION

The current By Laws stipulate that the Shareholders' Meeting can determine the number of Directors which can be a minimum of three (3) and a maximum of fifteen (15). The high number of Directors set as upper limit reflects the need to structure the Board in the manner most appropriate to the Company's needs, also taking into consideration the number of companies controlled. It also enables the Company to bring in professionals from different backgrounds and to integrate different skills and experiences in order to respond more effectively to current and future requirements, thereby maximising value for Shareholders. The complexity and worldwide nature of Company and Group interests entail an ever growing need for different professional abilities, experiences and skills within the management body. With a larger composition, the Board is able to provide better internal dialectics and carry out its duties effectively, with the necessary competence and authority, responding in a timely manner to the increasingly complex subjects with which the Company is called to cope with.

The current Board was appointed by the Shareholders' Meeting of 27 April 2006 and its term of office will expire with the approval of the 2008 financial statements. The current Board was not elected through the slate vote mechanism, introduced into the By Laws by resolution of the Extraordinary Shareholders' Meeting of 29 June 2007, assimilating the Savings Law, subsequently amended by Legislative Decree no. 303 of 29 December 2006 which introduced a number of amendments to the Consolidated Finance Act.

The Board is made up of fourteen Directors.

The following table shows the composition of the Board as at 31 December 2007.

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Members	Position	Executive	Non-executive	Independent		Slate	No. of Board meetings	% Board Meetings	Other positions	
				2006 Code	TUF					
Paolo della Porta	Chairman	X	-			M/m	n/a	10	76.92	-
Massimo della Porta	Vice President, Managing Director	X	-				n/a	13	100	2
Giulio Canale	Managing Director	X	-				n/a	13	100	1
Stefano Baldi	Director	-	X				n/a	11	84.62	1
Roberto Berger	Director	-	X				n/a	1	7.69	1
Evelina Christillin	Director	-	X				n/a	5	38.46	-
Adriano De Maio	Director	-	-	X	X		n/a	9	69.23	3
Giuseppe della Porta	Director	-	X				n/a	12	92.31	-
Andrea Dogliotti	Director	-	X				n/a	13	100	-
Andrea Gilardoni	Director	-	X				n/a	12	92.31	2
Giuseppe Rolando	Director	-	X				n/a	13	100	1
Andrea Sironi	Director	-	-	X	X		n/a	7	53.85	-
Gianluca Spinola	Director	-	X				n/a	6	46.15	1
Renato Ugo	Director Lead Independent Director	-	-	X	X		n/a	7	53.85	2

Appendix 1 to this Report lists the director or auditor posts held by each director in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance companies or large-sized companies, as at 31 December 2007, as recorded in the board meeting of 13 February 2008.

Appendix 2 to this Report contains information on the personal and professional characteristics of directors as required by article 144-decies of the Regulations for Issuers.

The following table shows the composition of the committees (recalling that the Company has not appointed an Executive Committee and Appointment Committee, as further described in sections 4.4 and 4.6.2 below).

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Name	Position	Compensation Committee <sup>2</sup>	% CC	Audit Committee <sup>3</sup>	% AC
Paolo della Porta	Chairman				
Massimo della Porta	Vice President, Managing Director				
Giulio Canale	Managing Director				
Stefano Baldi	Director	C	100		
Roberto Berger	Director				
Evelina Christillin	Director				
Adriano De Maio	Director	M	100	M	100
Giuseppe della Porta	Director				
Andrea Dogliotti	Director				
Andrea Gilardoni	Director				
Giuseppe Rolando	Director			M	100
Andrea Sironi	Director	M	100		
Gianluca Spinola	Director				
Renato Ugo	Director			C	100

Note that after the end of the Financial Year, on 13 February 2008, the Board co-opted Pietro Mazzola to replace the resigning Robert Berger. Pietro Mazzola is a non-executive director and is not a member of any committee.

#### 4.2. MAXIMUM LIMIT ON POSITIONS CUMULATIVELY HELD IN OTHER COMPANIES

The Company's Directors act and make resolutions independently and with full knowledge of the facts, with the aim of creating value for Shareholders. Directors accept the office when they believe that they can dedicate the necessary time to the diligent performance of their duties, taking into account the number of director or auditor posts that they hold in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance companies or large-sized companies.

The Board annually records and reports, in the Corporate Governance report, on the director or auditor posts held by the Directors in listed companies and in the other

<sup>2</sup> C/M if chairman/member of the committee.

<sup>3</sup> C/M if chairman/member of the committee.

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companies indicated above. Appendix 1 lists the director or auditor posts held by each director in other companies listed on regulated markets, including foreign markets, in financial companies, banks, insurance companies or large-sized companies, as at 31 December 2007, as recorded in the board meeting of 13 February 2008.

The Board believes that if a Director cumulatively holds an excessive number of posts in the Boards of Directors or in the Boards of Auditors of listed or unlisted companies, this may compromise or jeopardise the effective performance of his post within the Company.

In line with application criterion 1.C.3 of the 2006 Code, the Board has defined general criteria governing the maximum number of director or auditor posts in other companies which may be considered compatible with an effective performance of the role of Director in the Company.

These general criteria are identified in the Company's Corporate Governance Code approved by Board resolution on 21 December 2006, attached to this Report and published on the Company's website.

Indeed, the Board has considered it appropriate to award a score to each post held outside of the Company's Board of Directors. This score differs according to the commitment entailed by the type of post (executive/non-executive director) and the nature and size of the companies in which the post is held. There is a maximum score above which it is presumed that the post of Director in the Company cannot reasonably be performed effectively. If the maximum threshold is exceeded, this constitutes a valid reason to dismiss the Director from office.

The Company's Board reserves the right to amend and supplement the general criteria specified above, taking into account changes in legislation, experience of application and the best practice that will develop in this area.

The current composition of the Board respects the above general criteria.

Directors are required to be familiar with the duties and responsibilities inherent in their post. The Chairman of the Board ensures that Directors participate in initiatives aimed at increasing their knowledge of corporate events and trends, also with regard to the legislative framework, so that they can perform their role effectively. The Chairman and the Managing Directors make every effort to ensure that the Board is informed about the main legislative and regulatory developments that concern the Company and the corporate bodies.

If the Directors require clarifications and information from the Company's management, they may forward a request to the Chairman, who will take the appropriate action either by collecting the necessary information or by putting the Directors in touch with the management concerned. The Directors can ask the Chairman and/or the Managing Directors to have managers of the Company or of the Group attend the Board meetings to provide detailed information about the items on the agenda.

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### **4.3. ROLE OF THE BOARD OF DIRECTORS**

The Board meets at regular intervals to examine operational performance, company results and all significant operations. The By Laws provide that the Board must meet at least once every quarter. During 2007, the Board met 13 times, with the average attendance of Directors being 72.5%. The average attendance of executive directors was 92.3%, the average attendance of non-executive directors was 70.2% and the average attendance of independent directors was 59%.

The average duration of board meetings is 2 hours.

For the 2008 financial year, it is currently anticipated that the Board will meet at least seven times, of which five meetings will be to approve the interim results, the dates for which were already notified in December 2007 to Borsa Italiana S.p.A. for inclusion on the calendar of company events, also published on the Company's website.

In 2008, the Board met on 13 February 2008 to approve the fourth quarter results and met today to approve the draft financial statements, to call the Shareholders' Meetings and to approve the respective documentation.

The Chairman makes every effort to ensure, where and if possible, that, for the purposes of board meetings, Directors receive, reasonably in advance, the necessary documentation and information to enable the Board to discuss in an informed manner the matters referred for its examination.

Each Board Member has the right to propose subjects for discussion at subsequent Board meetings.

The Chairman, with the approval of those present, may invite persons outside the Board to attend meetings in order to listen in or to provide support duties.

During meetings and in any event at least every quarter, in accordance with article 19 of the By Laws, the Board of Directors and the Board of Auditors are informed, by the Managing Directors, about the activities performed (by the Company and by its subsidiaries), about its general performance and foreseeable development, about the most important economic and financial transactions in terms of size or characteristics and, where necessary, about transactions in which the Directors have a personal or third party interest.

The Board review the information received from the Managing Directors and also ensure to ask the latter for any clarification or further or supplementary details which are deemed necessary or expedient for a complete and correct appraisal of the facts brought to the Board for examination.

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The Board plays a central role in the Company's Corporate Governance system, being vested with extensive powers for the ordinary and extraordinary management of the Company and having the right to carry out all acts considered appropriate for the implementation and achievement of the Company's objects, excluding those that the law strictly reserves for the Shareholders' Meeting.

Without prejudice to the exclusive competences over matters as laid down in article 2381 of the Italian Civil Code and in the By Laws, the Board exclusively:

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- a) defines, applies and updates the Company's Corporate Governance rules, in conscious compliance with existing law, defines the Corporate Governance guidelines for the Company and for the Group that it heads;
- b) examines and approves the strategic, industrial and financial plans for the Company and for the Group that it heads;
- c) assesses and approves the annual budget and the investment plan for the Company and for the Group that it heads;
- d) assesses and approves the periodic reporting documentation required under existing law;
- e) grants and revokes powers within the Board (and the executive committee, where appointed) and defines the limits, operating procedures and frequency, generally at least every quarter, with which the authorised bodies must report to the Board about the activity performed in accordance with the powers granted to them;
- f) determines, after examining the proposals of the Compensation Committee and after consulting with the Board of Auditors, the remuneration payable to executive Directors and other Directors who are appointed to certain positions and, if the Shareholders' Meeting has not already done so, determines the share of the total remuneration to which individual members of the Board are entitled;
- g) monitors and assesses the general operational performance, including any conflict of interest situations, taking into consideration, in particular, information received from the Managing Directors, from the Executive Committee, where appointed, from the Compensation Committee and from the Audit Committee, and periodically comparing the results achieved with those anticipated;
- h) examines and approves significant transactions and related party transactions;
- i) assesses the adequacy of the organisational, administrative and general accounting structures, and of the Company and Group structure, based on documents prepared by the Managing Directors, particularly with regard to the internal control system and the handling of conflicts of interest. Please refer to section 6.1 below for further details. With regard to these activities, during the meeting of 20 December 2007, the Managing Directors put forward a proposal to the Board for a new organisational structure which was approved by the Board and became operational in January 2008;
- j) evaluates, at least once a year, the size, composition and functioning of the Board and of its committees, where applicable expressing opinions on the professionals whose presence in the Board is deemed appropriate. The Board successfully carried out this evaluation in the meeting of 20 December 2007;
- k) reports to the Shareholders' Meeting; provides information, in the Corporate Governance report, on the implementation of the Corporate Governance Code and, in particular, on the number of meetings of the Board and of the executive committee, where present, that have been held during the year and on the respective percentage attendance of each Director;
- l) at the end of each year, prepares a calendar of company events for the following year, which will be followed as far as possible;

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m) has ultimate responsibility for the functioning and effectiveness of the organisational, management and control model pursuant to Legislative Decree 231/2001.

The By Laws grant the Board, without prejudice to the statutory limits, the power to resolve on proposals concerning:

- mergers in the cases set out in articles 2505 and 2505-bis of the Italian Civil Code, including with regard to demergers as governed by article 2506-ter, final paragraph, of the Italian Civil Code, in the cases where these rules are applicable;
- the creation and closure of secondary offices and branches;
- indication of which Directors have the power to represent the Company;
- any capital reduction in the event of withdrawal of shareholders;
- the alignment of the Company's By Laws with legislative provisions;
- transfer of the registered office within the country.

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### **Principles of conduct - Significant or Related Party Transactions**

On 21 December 2006, the Board reviewed its principles of conduct that supplement the applicable provisions and govern the criteria to be followed in significant or related party transactions, as well as the terms and conditions for sending information to the Board of Directors and to the Board of Auditors of the Company.

These principles are formalised in the Corporate Governance Code.

In brief, the Board examines and approves:

1) the transactions of the Company and of its controlled companies having a significant impact on the Company's strategy, profitability, assets and liabilities or financial position, such as: acquisitions, sales, disposals of shareholdings, companies or business units, real property, assets or activities worth more than 3 million euro or that implies entering a new business or exiting a business; establishment and allocation of specific assets/equity destined for a specific business as per Article 2447-bis of the Italian Civil Code; mergers or spin-offs in which subsidiaries participate where at least one of the applicable parameters below is equal to or higher than 15%:

a) total assets of the merged company or activities to be spun off/total assets of the Company (data from the consolidated accounts);

b) (positive or negative) results before tax and non-recurring income and expense of the merged company or of the activities to be spun off/results before tax and non-recurring income and expense of the Company (data from the consolidated accounts);

c) total net worth of the merged company or the going concern to be spun off/total net worth of the Company (data from the consolidated accounts).

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2) related parties transactions, including inter-companies transactions (except for typical or usual transactions or transactions at standard conditions).

In this respect, it has to be noted, for instance, that the transactions involving the acquisition of the SMA division of Special Metals Corporation and Spectra-Mat, Inc, as disclosed to the market on 11 July 2007, 22 October 2007, 3 January 2008, 20 February 2008 and 22 February 2008, were examined beforehand and approved by the Board.

Transactions between the Company and related parties are referred to the Audit Committee for opinion and to the Board for prior examination if: a) they are atypical and/or unusual; b) the related party is S.G.G. Holding S.p.A. or those to whom powers and responsibilities are granted with regard to the performance of duties involving the administration, management and control of the Company and their close family members.

For related party transactions, including intragroup transactions, which are not referred to the Board, in so far as they are typical or ordinary and/or under standard conditions, Directors vested with powers or managers responsible for the execution of the transactions, collect and keep, for individual transactions or types or groups of transactions, adequate information on the nature of the connection, on the execution of the transaction, on the conditions, including economic conditions, for the execution of the transaction, on the assessment procedure followed, on the interests and underlying motivations and on any risks for the Company.

The Board has also established the principles to be followed where the Directors hold an interest, even a potential or indirect interest, and where it is necessary to seek the help of experts to support the decision referred to the Board.

During the year 2007, there were no related party transactions, except those identified in the management report accompanying the financial statements.

#### **4.4. AUTHORISED BODIES**

##### **Executive Directors**

The Company's Executive Directors are:

- the Managing Directors of the Company or of a subsidiary company having strategic importance<sup>4</sup>, including the relevant chairmen when they are granted individual management powers or when they play a specific role in the definition of business strategies;
- the Directors vested with management duties in the Company or in a subsidiary company having strategic importance, or in the holding company when the mandate also concerns the Company;
- the Directors who are part of the Company's Executive Committee, where appointed, when there is no Managing Director appointed or when participation in the Executive Committee, taking into account the frequency of meetings and the nature of its

<sup>4</sup> Meaning a significant company from the accounting point of view (having the net assets higher than 2% of consolidated net assets or sales higher than 5% of consolidated sales) or, more in general, from the market and business point of view (as a consequence, also a newly-created company could be eligible for being considered "significant").

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decisions, entails the systematic involvement of its members in the day-to-day management of the Company.

The granting of powers for urgent cases only to Directors not vested with management powers is not *per se*, to cause them to be identified as Executive Directors, unless such powers are actually exercised with considerable frequency.

Of the Directors in office, three are executive. The Board appointed by the Shareholders' Meeting of 27 April 2006 met at the end of the Meeting to allocate positions within the Company, to grant powers and to appoint committees. As in the past, the Board adopted a delegation model in which the Chairman and the Managing Directors are granted extensive operational powers. Consequently, the Chairman (Paolo della Porta) and the Managing Directors (Massimo della Porta and Giulio Canale), were granted separate powers of ordinary and extraordinary administration, excluding those strictly reserved for the Board and those reserved by law for the Shareholders' Meeting. Likewise removed from the powers granted to the Executive Directors were decisions concerning significant transactions (as defined in paragraph 4.3 above) and certain related party transactions.

The Director Giulio Canale was also appointed Group Chief Financial Officer, with powers over administration, finance and control, including at consolidated level, to be exercised with an individual signature.

The powers granted to the Managing Directors are identical and do not differ in terms of value or competence.

The Board decided not to set any limit on powers deeming it sufficient to refer significant transactions to the Board and observing that historically, as was also the case during 2007, the mandated Directors exercised the powers granted to them prudently and exclusively for the ordinary management of company activities, on which the Board was kept informed in a regular and timely manner.

Executive Directors are required to report systematically to the Board of Directors and to the Board of Auditors on the exercise of their powers, by providing adequate information on actions performed and, in particular, on any uncommon, atypical or unusual transactions performed in the exercise of their powers. During the Financial Year, the authorised bodies reported to the Board, in the first practical meeting, on the activity performed in the exercise of the powers granted to them.

## **Chairman**

The Chairman coordinates and organises the Board's activities, is responsible for its orderly functioning, acts as liaison between Executive and non-Executive Directors, sets the agenda, chairs board meetings and makes every effort to ensure that Board members receive, reasonably in advance of the date of the meeting (except for cases of necessity and urgency), the necessary documentation and information to enable the Board to discuss in an informed manner the matters referred for its examination and approval.

The Chairman of the Board is neither the main person responsible for the management of the Company (Chief Executive Officer) nor the majority shareholder of the Company.

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In accordance with principle 2.P.5 of the 2006 Code, it is acknowledged that the Board has decided to delegate powers to the Chairman to enable the founder of the Company, Paolo della Porta, to continue to contribute actively to the management of the Company and to guarantee continuity of action.

The SAES Getters S.p.A. Corporate Governance Code stipulates that, if the Chairman of the Board also has operational powers, the Board must consider whether to appoint an independent director as "lead independent director" in order to reinforce the characteristics of impartiality and balance that are required from the Chairman of the Board.

To this end, the Board, meeting on 26 July 2007, appointed Renato Ugo as "lead independent director" and informed the market of such appointment according to the conditions set out in article 66 of the Regulations for Issuers.

### **Executive Committee**

The Company has not appointed an Executive Committee.

## **4.5. INDEPENDENT DIRECTORS**

### **Non-Executive and Independent Directors**

The Board is currently made up of fourteen (14) members, predominantly non-executive (11), three (3) of which qualify as Independent Directors, in other words they do not hold nor have they recently held, not even indirectly, relations with the Company or with entities connected to the Company, which might compromise their independence of judgment.

The Company believes that three (3) is the correct number of independent non-executive directors.

It also considers that with this composition, the number, expertise, time availability and authority of the non-executive directors is such that it enriches board discussion and guarantees that their judgment can have a significant weight in the making of considered and informed board decisions.

Non-executive directors bring their specific expertise to board discussions, contributing to the taking of balanced decisions, meeting the Company's interests and paying particular attention to areas where conflicts of interests may exist.

The Board assesses the independence of its non-executive members more on the basis of substance than form. Moreover, in principle, as part of this assessment, the Board will tend to consider that a Director is not independent, generally speaking, in the following non-absolute situations:

a) if he/she holds, directly or indirectly, including through controlled companies, trusts or intermediaries, shareholdings to such an extent that the Director is able to exercise control or significant influence over the Company, or if he participates in shareholders' agreements through which one or more individuals can exercise control or significant influence over the Company;

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- b) if he/she is, or has been in the past three years, a relevant representative<sup>5</sup> of the Company, of a subsidiary having strategic importance or of a company under joint control with the Company, or of a company or entity which, together with others through a shareholders' agreement, controls the Company or is able to exercise a significant influence over the latter;
- c) if he/she has, or had in the preceding fiscal year, directly or indirectly (e.g. through controlled companies or companies of which he/she is a relevant representative, or in the capacity as partner of a professional firm or of a consulting company) a significant commercial, financial or professional relationship<sup>6</sup>:
- with the Company, a subsidiary thereof, the controlling company, or with any of their important representatives;
  - with an individual or entity which, together with others through a shareholders' agreement, controls the Company or with their important representatives;
- or if he/she is, or has been in the past three years, an employee of one of the aforementioned entities;
- d) if he/she receives, or has received in the preceding three fiscal years, from the Company or from a subsidiary or controlling company, a significant additional remuneration compared with the "fixed" emolument for a non-executive Director of the Company, including through participation in company *performance*-related incentive schemes, including share-based schemes;
- e) if he/she has been a Director of the Company for more than nine years in the last twelve years;
- f) if he/she holds the post of Executive Director in another company in which an Executive Director of the Company holds a post of Director;
- g) if he/she is a shareholder or Director of a company or entity belonging to the network of the company responsible for the financial auditing of the Company;
- h) if he/she is a close relative of a person who is in one of the situations described in the previous points and, in particular, where he/she is the non-legally separated spouse, cohabitant more uxorio, relative or in-law, within the fourth degree, of a Director of the Company, of the subsidiary companies or controlling company, or companies subject to joint control, or of individuals who are in the situations indicated in the previous points.

The examples listed above are not restricted. The Board must, in its assessment, take into consideration all circumstances which might appear likely to compromise the independence of the Director.

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<sup>5</sup> The legal representative, the Chairman of the Board of Directors, the executive directors and executives with strategic responsibilities (meaning the managers that can take management decisions that can influence the Company evolution and future prospects) must be considered as "relevant representatives" of the Company.

<sup>6</sup> The relationships above are considered to be important if they satisfy the conditions set out in the Borsa Italiana S.p.A. Market Instructions on 1 December 2006, in other words if: (i) the commercial or financial relations exceed 5% of the turnover of the supplier firm or beneficiary firm; or (ii) the professional services exceed 5% of the income of the Director or EUR 200,000" (as subsequently amended and supplemented).

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*Assessment.* Independent Directors agree to promptly notify the Board if an event occurs which may affect their "independent" status.

The independence of directors and the relations which could or appear to compromise the independence of judgment of that Director are assessed annually by the Board, on the basis of the information supplied by each of the individuals concerned or otherwise available to the Company. The outcome of the Board's assessments is disclosed to the market in a timely manner at the time of appointment and in the Corporate Governance report.

Where the Board deems that the independence requirement concretely exists, even in the presence of abstractly non-independent situations, the Board will provide appropriate information to the market on the outcome of the assessment, without prejudice to the Board of Auditors' check on the adequacy of the respective reasons.

This does not affect the predominance of more restrictive legislative or by laws provisions which stipulate that the Director must step down if he no longer satisfies certain independence requirements.

In January 2007 and in July 2007, on the occasion of the half-yearly review of the STAR requirements by Borsa Italiana S.p.A., the Independent Directors confirmed that they satisfied the independence requirements both pursuant to article 147-ter of the Consolidated Finance Act (i.e. independence requirements set forth for auditors, pursuant to article 148, paragraph 3, of the Consolidated Finance Act) and pursuant to the Company's Corporate Governance Code.

In the meeting of 13 February 2008, the Board once again assessed the degree of independence of its Directors in the light of article 3 of the Corporate Governance Code and in accordance with existing legislation (article 147-ter of the Consolidated Finance Act) and confirmed that the directors Adriano De Maio, Andrea Sironi and Renato Ugo were "independent".

The Board of Auditors verified the correct application of the criteria adopted by the Board of Directors to assess the independence of its members, taking note of the declarations made by the individuals concerned.

*Meetings.* The Independent Directors generally meet once a year without the presence of the other Directors, where they deem it appropriate (including in the light of the number attending meetings of the Board and of the various committees). The meeting can take place informally and even by means of audio or video conference.

During 2007, the Independent Directors did not deem it necessary to meet without the presence of the other Directors, having considered the quality of the information received from the authorised bodies and their active participation in the Board and in the Committees.

*Number.* Where the Shareholders' Meeting decides to change the number of Board members, it is advisable that the following proportions be maintained:

- Board comprising up to eight (8) members: at least two (2) independent directors.
- Board comprising nine (9) to fourteen (14) members: at least three (3) independent directors.

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- Board comprising more than fourteen (14) members: at least four (4) independent directors.

### **Lead Independent Director**

As explained in section 4.4 above, given that the conditions laid down in the Code are fulfilled, the Board, meeting on 26 July 2007, appointed the Independent Director Renato Ugo as "lead independent director". The lead independent director represents a reference and coordination point for the requests and contributions of non-executive directors (and in particular of the independent directors), for a better contribution to the activity and operation of the Board. The lead independent director works with the Chairman in order to guarantee that the information flows to the Directors are complete and timely. The lead independent director is granted, *inter alia*, the power to convene, at his own initiative or at the request of other Directors, special meetings involving only independent directors to discuss subjects deemed to be of interest regarding the functioning of the Board of Directors or the Company's operations.

### **4.6. BOARD'S INTERNAL COMMITTEES**

For a more effective performance of its duties, the Board has established - by resolution - an internal Audit Committee and Compensation Committee, with the functions described below.

The eldest Board member of each committee reports periodically to the Board on the work of that committee.

Both committees exclusively comprise non-executive Directors, the majority of whom are independent: the Compensation Committee comprises Stefano Baldi, Andrea Sironi<sup>7</sup> and Adriano de Maio (for details, please refer to the second table included in paragraph 4.1 above).

The Board makes every effort to ensure that there is appropriate rotation within the Committees, unless for any reason it is deemed appropriate to confirm one or more Directors beyond the prescribed terms of office.

This does not affect the Board's right to establish one or more additional internal committees with propositive and consultative functions which will be specifically defined in the board resolution that establishes such committees.

The Company reports that, in 2007, the Compensation Committee met twice (with a 100% attendance of its members) and the Audit Committee three times (with a 100% attendance of its members).

The Directors who are part of the Audit Committee receive additional compensation set by the Shareholders' Meeting for that role.

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<sup>7</sup> Until 26 July 2007, the Compensation Committee comprised Stefano Baldi, Giuseppe della Porta and Adriano de Maio. On 26 July 2007, Andrea Sironi (Independent Director) replaced Giuseppe della Porta (non-executive but non-independent Director), who resigned from the committee, in order to have a Committee more compliant with principle 7.P.3 of the 2006 Code.

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The Directors who are part of the Compensation Committee do not receive additional compensation for that role.

#### **4.6.1. Audit Committee.**

Please refer to paragraph 6.5. (Internal Control System section).

#### **4.6.2. Appointment Committee**

The Board did not consider it necessary, given the composition of the Company's shareholders and not having experienced difficulties in gathering proposed appointments from Shareholders, to establish an internal Committee to propose appointments for the position of Director.

#### **4.6.3. Compensation Committee**

The Board has established an internal Committee to determine remuneration and any stock option or share allocation plans (Compensation Committee).

This Committee comprises three (3) non-executive Directors, the majority of whom are independent<sup>8</sup>. For details, refer to the second table included in paragraph 4.1 above.

In 2007, the Committee met twice.

The Compensation Committee:

- submits proposals to the Board concerning the remuneration of the Chairman and of the Managing Directors and of those who hold particular posts, monitoring the application of the decisions taken by the Board;
- evaluate the criteria adopted for the remuneration of executives having strategic responsibilities<sup>9</sup>, monitors their application on the basis of the information provided by the Managing Directors and makes general recommendations on the matter to the Board.

It is the responsibility of the Managing Directors to define the policies and levels of remuneration for the managers with strategic responsibility and to establish their targets which, if reached, will allow them to benefit from the incentive system. The Compensation Committee has also the duty of proposing the introduction of incentive schemes to the Board.

In the performance of its duties, the Compensation Committee has the right to access company information and access the units necessary to perform the duties allocated and to make use of external advisors at the Company's expense.

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<sup>8</sup> See note 7.

<sup>9</sup> Meaning the managers that can take management decisions that can influence the Company evolution and future prospects. In the Financial Year, these managers can be identified as Filippo Cutillo, Group Human Resource Director and Giancamillo Mazzeri, Group Commercial Director.

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The Compensation Committee is chaired and meets at the initiative of the eldest member, who calls Committee meetings without any formality (even orally) and without the need for prior notice. Individuals who are not members of the Committee may be invited to attend meetings, in relation to individual items on the agenda. In 2007, no non-member individuals attended the meetings of the Compensation Committee. No Director may take part in Compensation Committee meetings in which proposals are discussed regarding the remuneration of the Board.

The proceedings of Committee meetings are recorded in minutes. The eldest member of the Compensation Committee reports periodically to the Board on the Committee's work.

In 2007, the Compensation Committee monitored the application of contracts for Executive Directors, with particular attention on checking that they had reached their targets, on periodically checking the criteria adopted for the remuneration of managers with strategic responsibilities and on determining the compensation for the lead independent director.

#### **4.7. REMUNERATION OF DIRECTORS**

The Shareholders' Meeting of 27 April 2006 resolved, pursuant to article 18 of the By Laws, to set the total compensation for the Board for the year 2006 and for subsequent years, until otherwise decided, in the annual overall amount of EUR 150,000. In the first meeting held after the Shareholders' Meeting, the Board resolved upon the split of the total consideration to which members of the Board are entitled.

The remuneration of the Executive Directors and those vested with particular duties is set by the Board, in the absence of those directly concerned, at the proposal of the Compensation Committee, having consulted with the Board of Auditors. This procedure was followed in 2007 to determine the compensation payable to the lead independent director.

For information on the compensation received by Directors and on the cumulative remuneration received by managers with strategic responsibilities<sup>10</sup> during the Financial Year, please refer to the specific information included in the included in the Notes to the Financial Statements.

The remuneration of Executive Directors and top managers (including managers with strategic responsibilities) is substantially linked to the corporate results achieved or to the achievement of individual targets.

The Company has not adopted stock option plans.

The remuneration of Directors is established in a sufficient amount to attract, retain and motivate Directors endowed with the professional qualities necessary for managing the Company successfully.

The remuneration of Executive Directors is structured in such a way as to align their interests with the priority objective of creating value for Shareholders over the medium to long term.

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<sup>10</sup> See note 9.

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As a rule, the Board, in determining the total compensation for Executive Directors, stipulates that part of the latter is linked to the economic results achieved by the Company and, where applicable, to the achievement of specific targets previously identified by the Board.

It is the Board's duty, at the proposal of the Compensation Committee, to establish whether to make extensive use of such remuneration systems and to define the targets for Managing Directors.

The remuneration of non-executive Directors is proportional to the commitment assumed by each of these, taking into consideration any participation in one or more committees, and is not linked to the economic results achieved by the Company. Non-executive directors are not involved in any share-based incentive schemes.

## 5. HANDLING OF COMPANY INFORMATION

On 24 March 2006, the Board took measures to conform to the new provisions of the Consolidated Finance Act, the Regulations for Issuers, as supplemented by Consob resolution no. 15232 of 29 November 2005, and the Regulations for Markets Organised and Managed by Borsa Italiana S.p.A. and the respective Instructions, as amended following the Savings Law, to incorporate the EU directive on market abuse, by introducing ad hoc internal procedures or by modifying and updating existing procedures.

More specifically, the Board adopted:

- the *Procedure for the Handling of Inside Information*: defines the conduct that Directors, Auditors, employees and managers must adopt in relation to the internal handling and market disclosure of inside information, in other words information of a precise nature which has not been made public, relating, directly or indirectly, to one or more issuers of financial instruments or to one or more financial instruments, which, if it was made public, would be likely to have a significant effect on the prices of those financial instruments.

The above procedure, available on the Company's website (Investor Relations section/Corporate Governance/Inside Information subsection), is drawn up in order to ensure that information about the Company is disclosed with full and complete respect for the principles of correctness, clarity, transparency, timeliness, widespread and consistent dissemination to guarantee equality of treatment, completeness, intelligibility and continuity of information, in a complete and adequate form and through institutional channels and in compliance with the procedures established by the Company, and in order to guarantee that the internal handling of information is done, in particular, with respect for the duties of confidentiality and lawfulness;

- the *Insiders Register*: created with effect from 1 April 2006, identifies individuals who, by virtue of their working or professional activities or by virtue of the duties performed, have access to the information indicated in article 114, paragraph 1, of the Consolidated Finance Act, in accordance with article 115-bis of the Consolidated

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Finance Act and articles 152-bis, 152-ter, 152-quater, 152-quinquies of the Regulations for Issuers.

The Board has moreover approved a *Code of Conduct for Internal Dealing* which sets out the disclosure obligations that Significant Persons and/or Persons Closely Associated with Significant Persons, as identified in the Code, are required to observe, in relation to transactions that they carry out involving the Company's financial instruments or other associated financial instruments. The Code also sets out the obligations that the Company is required to satisfy in relation to the market with regard to transactions involving financial instruments carried out by Significant Persons and by Persons Closely Associated with Significant Persons. The Code makes provision for "black-out periods", i.e. predetermined periods (the 15 calendar days before board meetings called to approve the period accounts) during which the persons subject to the Code's provisions are not permitted to perform transactions involving SAES Getters financial instruments or associated financial instruments.

The Board reserves the right to make, at the proposal of the Managing Directors, including by granting special powers, all the changes or amendments to procedures deemed necessary as a result of legislative or regulatory changes or which are simply appropriate.

During the Financial Year, the transactions carried out by Significant Persons were disclosed to the market and to the competent authorities. The related filing models and the Code of Conduct for Internal Dealing are available on the Company's website (Investor Relations section/Corporate Governance/Internal Dealing subsection).

Director and Auditors are required to keep confidential the documents and information acquired in the performance of their duties and to follow the procedures adopted for the internal handling and external disclosure of such documents and information.

Information externally disclosed must be uniform and transparent. The Company must portray itself accurately and coherently in its communication with the mass media. Dealings with the mass media are reserved exclusively for the Chairman and for the Managing Directors, or for the delegated company units.

## **6. INTERNAL CONTROL SYSTEM**

The internal control system is the set of rules, procedures and organisational structures through which the Company is managed soundly and correctly and consistently with the established goals, through an adequate identification, measurement, management and monitoring of the main risks.

An effective internal control system helps to guarantee the safeguarding of the Company's assets, the efficiency and effectiveness of business transactions, the reliability of financial information and compliance with laws and regulations.

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## **6.1. BOARD OF DIRECTORS' TASKS**

The Board of Directors evaluates the adequacy of the internal control system with respect to the characteristics of the Company.

The Board of Directors, with the assistance of the Audit Committee:

- a) defines the guidelines of the internal control system, so that the main risks concerning the Company and its subsidiaries are correctly identified and adequately measured, managed and monitored, and also determines the criteria to establish whether such risks are compatible with a sound and correct management of the Company;
- b) identifies either or both Managing Directors as the directors responsible for supervising the functionality of the internal control system; on 21 December 2006, the Board decided to identify both Managing Directors, Massimo della Porta and Giulio Canale, as directors responsible for supervising the functionality of the internal control system;
- c) evaluates, at least on an annual basis, the adequacy, efficiency and effectiveness of the internal control system;
- d) describes, in the Corporate Governance report, the essential elements of the internal control system, expressing its evaluation on the overall adequacy of the same.

The Board of Directors ensures that its evaluations and decisions relating to the internal control system, the approval of the annual financial statements and the half yearly reports and the relations between the Company and the external audit firm are supported by adequate investigative work.

Moreover, the Board, at the proposal of the Managing Directors, in their capacity as directors responsible for supervising the functionality of the internal control system and after consulting with the Audit Committee, appoints and dismisses one or more internal control officers and defines their remuneration in line with company policies.

The Board of Directors exercises its duties in relation to the internal control system taking into due consideration the reference models and best practices existing both nationally and internationally. Particular attention is paid to the Organisation and Management Model adopted pursuant to Legislative Decree no. 231 of 8 June 2001.

During the second half of 2007, the Board launched a Company risk assessment project which it expects to complete during the first half of 2008, on the basis of which it will review its guidelines on the internal control system, having assessed its adequacy, efficiency and effectiveness. Pending the completion of this project, the Board has not deemed it appropriate to make any advance assessment on this subject in the Financial Year.

## **6.2. MANAGING DIRECTORS**

The Board identifies the Managing Directors as being the directors responsible for supervising the functionality of the internal control system and, in particular, they:

- a) identify the main business risks, taking into account the characteristics of the activities carried out by the Company and its subsidiaries, and submit them periodically to the review of the Board; to this extent, as said before, a risk assessment project has

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been launched, by using the application of the integrated "Enterprise Risk Management" model (ERM)<sup>11</sup>, as deemed to most suitable to identify, manage and monitor main risks to which the Company is exposed and allow the Board to orient the guidelines of the internal control towards a sound and correct management principles. The project is led by the Managing Directors, with the support of the Internal Audit department;

b) implement the guidelines defined by the Board of Directors, by designing, establishing and managing the internal control system and by constantly monitoring its overall adequacy, efficiency and effectiveness; moreover, they bring the system into line with changes taking place in operating conditions and in the legislative and regulatory framework;

c) make proposals to the Board regarding the appointment, dismissal and remuneration of one or more internal control officers.

### **6.3. INTERNAL CONTROL OFFICER(S)**

The internal control officer is not responsible for any operational division and does not report hierarchically to any head of operational divisions, including the administration and finance division). The officer is appointed by the Board, at the proposal of the Managing Directors (in their capacity as officers responsible for supervising the functionality of the internal control system) and after consulting with the Audit Committee.

The Board, in its meeting of 21 December 2006, having obtained the favourable opinion of the Audit Committee, confirmed Giuseppe Rolando in the position of internal control officer.

The officer is responsible for ensuring that the internal control system is always adequate, fully operating and effective. The officer approves the work plan prepared by the internal audit unit to be submitted to the Audit Committee.

The officer has direct access (and had access during the year) to all relevant information for the performance of his duties and has adequate means at his disposal to carry out the duties assigned to him.

The officer reports on his work to the Managing Directors responsible for supervising the functionality of the internal control system as well as to the Audit Committee and to the Board of Auditors.

In particular, the officer reports about the procedures according to which risk management is conducted, as well as about compliance with the plans defined to minimise risks and express his opinion on the suitability of the internal control system in achieving an acceptable overall risk profile.

Individuals from outside the Company can be appointed to the role of internal control officer, provided, however, that they adequately meet the requirements of professionalism and independence. In this case, the adoption of such an organisational

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<sup>11</sup> Reference Model as set forth by PricewaterhouseCoopers upon request of the Committee of Sponsoring Organization of the Treadway Commission (CoSo), that supports management in evaluating and improving risk management within own organization. ERM Model has been published by CoSo in 2004.

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choice, with a satisfactory explanation of the relevant reasons, is disclosed to the Shareholders and to the market in the Corporate Governance report.

#### **6.4. INTERNAL AUDIT**

An independent internal auditing function is operating as part of the Company's internal control system. This unit is structured to:

- assess the adequacy of operational and administrative internal procedures, in terms of effectiveness, efficiency and cost-effectiveness, to check if those procedures are actually observed; and
- provide assistance and consultancy to the Board, to the Managing Directors for the purposes of identifying, preventing and managing financial and operational risks as means of safeguarding the Company's assets.

In general, Internal Audit supports the Board, the Managing Directors (in their capacity as officers responsible for supervising the functionality of the internal control system), the Internal Control Officer, the Audit Committee, the Oversight Committee, in the performance of their duties and carries out any checks requested by the Board of Auditors.

The internal audit function is currently carried out by internal resources; nonetheless, the internal auditing function may be entrusted, as a whole or in part, to persons outside the Company, provided, however, that they adequately meet the requirements of professionalism and independence. The adoption of such an organisational choice, with a satisfactory explanation of the relevant reasons, is disclosed to the Shareholders and the market in the Corporate Governance report.

During the Financial Year, the Internal Audit function was not outsourced but did make use of the assistance of consultancy firms to carry out specific activities.

#### **6.5. AUDIT COMMITTEE**

*Composition and Functioning.* The Board has established an internal control committee (Audit Committee) comprising three (3) non-executive Directors, the majority of whom are independent. On 27 April 2006, the Board appointed Renato Ugo, Adriano De Maio and Giuseppe Rolando as members of the Audit Committee. For details, refer to the second table included in paragraph 4.1 above.

At least one member of the Committee has adequate experience in accounting and financial matters.

In 2007, the Committee met three times.

The Audit Committee is chaired and meets at the initiative of the eldest member, who calls Committee meetings without any formality (even orally) and without the need for prior notice. The proceedings of Committee meetings are recorded in minutes. The Chairman of the Board of Auditors or another auditor designated by the Chairman of that Board takes part in the Committee's work. At the invitation of the Committee, the head of the Internal Audit unit attends Committee meetings.

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The Committee carries out its duties, listed below, in coordination with the Board of Auditors, with the Company's internal audit structure, with the internal control officer and the Managing Directors (in their capacity as officers responsible for supervising the functionality of the internal control system).

In the performance of its duties, the Audit Committee has the right to access Company information and access the units necessary to perform the duties allocated and can make use of external advisors at the Company's expense.

Individuals who are not members of the Committee may be invited to attend meetings, in relation to individual items on the agenda. The eldest member of the Audit Committee reports periodically to the Board on the committee's work.

*Duties of the Audit Committee.* The Audit Committee:

- a) assists the Board in defining the guidelines for internal control system and in carrying out the periodical assessment of its adequacy and effectiveness;
- b) at the request of the Managing Directors (in their capacity as officials responsible for supervising the functionality of the internal control system), expresses opinions on specific aspects of the identification of the principal business risks as well as on the design, implementation and management of the internal control system;
- c) reviews the work plan prepared by the Internal Audit department, as endorsed by the internal control officer and the periodic reports submitted by them;
- d) evaluates, together with the Officer Responsible for the Preparation of corporate financial reports and with the audit firm, whether accounting principles are being used correctly and consistently for the purposes of preparing the consolidated financial statements;
- e) evaluates any comments arising from the periodic reports submitted by the internal control officer and from the notifications of the Board of Auditors and of its individual members;
- f) reports to the Board, on the activity carried out and the adequacy of the internal control system, at least once every six months, at the time of approving the annual accounts and half-yearly report;
- g) expresses opinions on certain related party transactions;
- h) performs any additional duties that are assigned to it by the Board.

During the Financial Year, the Audit Committee focussed its attention on the various projects launched by the Company paying specific attention to:

- the establishment of the administrative/accounting control model and of appropriate procedures and control mechanisms in order to comply with the Savings Law;
- the definition an appropriate methodology for carrying out a group risk assessment project, as required by the current Corporate Governance Code of Conduct;
- update of the 231/01 Organisational Model;

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- 2007 audit plan.

The Audit Committee was also kept informed about the launch and outcome of acquisition projects implemented by the Company during the Financial Year.

The Audit Committee carried out its own activities also through contacts with the audit firm, the Chairman of the Board of Auditors, internal control officer and the Group Internal Auditor.

## **6.6. OFFICER RESPONSIBLE FOR THE PREPARATION OF CORPORATE FINANCIAL REPORTS**

On 29 June 2007, the Board appointed Michele Di Marco, Administration, Finance & Control Manager, as Officer Responsible for the Preparation of corporate financial reports (hereinafter “Accounting Officer”) after obtaining the opinion of the Board of Auditors, in accordance with new article 154-bis of the Consolidated Finance Act, introduced by the Savings Law.

Pursuant to article 24 of the By Laws, introduced by resolution of the Extraordinary Shareholders' Meeting of 29 June 2007, the Officer Responsible for the Preparation of corporate financial reports must meet the requirements of professionalism characterised by qualified experience of at least three years in the performance of administrative, accounting and/or auditing activities, or in the performance of management or consultancy duties on financial, administrative, accounting and/or auditing matters, in listed companies and/or related groups of enterprises, or companies, entities and enterprises of substantial size and importance, also with regard to the function of preparing and auditing accounting records and corporate documents.

The term of office of the Accounting Officer expires at the end of the term of office of the Board which appointed him (approval of the 2008 financial statements). He is eligible for re-election.

The Accounting Officer has been vested with independent powers of expenditure and signature. The Board ensures that Mr. Di Marco has adequate powers and resources to carry out the duties allocated to him under the same article 154-bis of the Consolidated Finance Act, those allocated by the Board at the time of appointment and that administrative and accounting procedures are being properly followed.

On 14 May 2007, the Board approved a document describing the Administrative/Accounting Control Model pursuant to the Savings Law adopted by the Company in order to guarantee better reliability of the financial information disclosed to the market and the operations of the Accounting Officer. In particular, the document:

- describes the components of the Model;
- sets out responsibilities, resources and powers of the Accounting Officer
- sets out rules of conduct, roles and responsibilities of the Company's organisational structures involved in any way;
- defines the process of certifying financial information (formally and internally).

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## **6.7. ORGANISATIONAL MODEL pursuant to Legislative Decree 231/2001.**

The Legislative Decree no. 231/2001, on "*Regulations governing the administrative responsibility of legal persons, companies and associations and of bodies without legal personality*" introduced into the Italian legal order a system of administrative responsibility applicable to companies in relation to specifically established crimes committed in their interest or to their advantage by directors, managers, employees.

In its resolution of 22 December 2004, the Board approved and adopted its "Organisational, management and control model" within the meaning of and in accordance with Legislative Decree no. 231 of 8 June 2001 ("Model") and, at the same time, "the Code of Ethics and Business Conduct" which forms an integral part thereof. In its resolution of 13 February 2007, the Board updated the Model in the light of the entry into force of the implementing provisions for the community rules governing the prevention of market abuse, and as part of the periodic check pursuant to article 7, paragraph 4, letter a) of Legislative Decree 231/2001.

Today, the Board updated the Model in order to bring this into line with the statutory amendments introduced in 2007 aimed at extending the range of crimes covered by Legislative Decree 231/2001. In particular, the following crimes have been introduced:

- crimes of receiving, laundering and using money, goods or assets of illegal origin (article 25-octies Legislative Decree 231/2001) introduced by Legislative Decree of 16 November 2007 implementing the III anti-Money-Laundering Directive 2005/60/EC.
- article 9 of Law no. 123 of 3 August 2007 inserted article 25-septies into Legislative Decree 231/2001, concerning crimes associated with the violation of safety and accident prevention rules. Reference is made to hypotheses of culpable homicide and serious or very serious personal injuries committed as a result of the infringement of rules governing accident prevention and the protection of health and safety at work.

Although not imposed by the stipulations of the aforementioned Decree, the adoption of the Model has been undertaken in the belief that the creation of an "organisational, management and control model" may represent not only an effective way of raising the awareness of all those who work on behalf of the Company with regard to the correct and consistent behaviours that they must adopt in the performance of their duties but also a necessary means of preventing the risk of commission of the crimes specified in that Decree.

The Board also deemed it important to adopt the Code of Ethics and Business Conduct in order to clearly define all of the values that the SAES Getters Group recognises, accepts and shares and all of the rules of conduct and principles of legality, transparency and correctness to be followed in the performance of its activities and in its various transactions with third parties.

## **6.8. OVERSIGHT COMMITTEE**

A supervisory board is operational within the Company and has the duties identified in Legislative Decree 231/2001 as specified in the Organisational Model drawn up by the Company, such as the duties to ensure the functioning, effectiveness, observance and

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updating of the Model and to ensure the preparation of suitable operating procedures to guarantee its optimum functioning.

On 27 April 2006, following the Shareholders' Meeting in which the Board of Directors was appointed, the latter appointed the following individuals as members of the Oversight Committee:

- Vincenzo Donnataria (as member of the Board of Auditors);
- Giuseppe Rolando (as internal control officer);
- Renato Ugo (as independent director).

The Oversight Committee has its own charter and has also elected a Chairman from within (Vincenzo Donnataria).

The Committee will remain in office until the approval of the 2008 financial statements.

The Committee met three times during the Financial Year.

## **6.9. INDEPENDENT AUDIT FIRM**

Financial auditing is carried out by an independent audit firm appointed and operating according to law. On 9 May 2007, the Shareholders' Meeting - taking into due account the proposal by the firm Reconta Ernst & Young S.p.A. of 19 December 2006, the Directors' report and the proposal of the Board of Auditors - decided to grant to Reconta Ernst & Young S.p.A. the following tasks, thereby extending its mandate:

- the task set out in article 159 of the Consolidated Finance Act to audit the Company's financial statements and the consolidated financial statements of the SAES Getters Group;
- the task of checking that books are being kept properly and operational events are being correctly recorded in the accounting records as required by article 155, paragraph 1, of the Consolidated Finance Act,
- the task of carrying out a limited audit of the Company's half-yearly report, including at consolidated level,

for the years 2007-2012, pursuant to and in accordance with article 159 of the Consolidated Finance Act.

The Shareholders' Meeting approved the fees payable to Reconta Ernst & Young S.p.A. for carrying out the activities described above, for each of the above years, which amount in total to EUR 77,000 plus expenses, to be updated according to the variations in the ISTAT indices, based on the conditions contained in the proposal made by the audit firm attached to the minutes of the meeting (available on the Company's website).

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## 7. BOARD OF AUDITORS

The Ordinary Shareholders' Meeting of 27 April 2006 elected the Board of Auditors in accordance with article 22 of the By Laws. The Board comprises Vincenzo Donnataria, Chairman of the Board of Auditors, Maurizio Civardi and Alessandro Martinelli, Statutory Auditors.

The appointment of the Board of Auditors is expressly governed by the Company's By Laws, which make provision for an appointment procedure by means of slate voting, unless different or supplementary provisions are laid down in mandatory laws or regulations.

Article 22 of the Company's By Laws, which previously made provision for the Board of Auditors to be elected by the submission of slates, was amended by resolution of the Extraordinary Shareholders' Meeting of 29 June 2007 in order to accommodate the changes and additions to election procedures introduced in the meantime into legislation.

In particular, the changes were introduced in accordance with the provisions of article 148, paragraphs 2 and 2-bis and of article 148-bis of the Consolidated Finance Act, as amended by Legislative Decree no. 303 of 29 December 2006, and of article 144-sexies of the Regulations for Issuers as amended by Consob resolution no. 15915 of 3 May 2007, which stipulates that a statutory member of the Board of Auditors must be elected by the minority shareholders who have no connection, not even indirectly, with the shareholders who submitted or voted for the slate that received the highest number of votes, based on the definition of connection between majority shareholders and minority shareholders contained in the Regulations for Issuers; that the Chairman of the Board of Auditors must be appointed by the Shareholders' Meeting from among the Auditors elected by the minority; that the By Laws may require the shareholder or shareholders submitting the slate to hold, at the time of submission, a percentage of the share capital no greater than the percentage determined under article 147-ter, paragraph 1, of the Consolidated Finance Act; that the slates must be deposited at the registered office, accompanied by a series of documents specified by regulations, at least 15 days before the scheduled date of the Shareholders' Meeting called to resolve on the appointment of Auditors and that issuers must make these available for consultation by the public at the registered office, the market management company and on its website under the terms and conditions laid down by regulations; that the By Laws may establish the criteria for identifying the candidate to be elected in the case of a tied vote between slates.

The current article 22 of the By Laws stipulates that the minority - who are not party to significant connections, not even indirectly, within the meaning of article 148, paragraph 2, of Legislative Decree 58/1998 and related regulations - are reserved the choice of one Statutory Auditor, who will chair the Board, and one Alternate Auditor.

The election of minority Auditors takes place at the same time as the election of the other members of the control body (except in cases of substitution).

A slate for the appointment of members of the Board of Auditors may be submitted by Shareholders who, at the time of submitting the slate, own, individually or together with other Shareholders submitting slates, a percentage of the voting capital at least equal to

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the percentage determined by Consob<sup>12</sup> under article 147-ter, paragraph 1, of Legislative Decree 58/1998 and in accordance with the provisions of the Regulations for Issuers.

A Shareholder cannot submit or vote for more than one slate, including through an intermediary or through trust companies.

Shareholders belonging to the same group and shareholders who join a shareholders' agreement in relation to the Company's shares cannot submit or vote for more than one slate, including through an intermediary or through trust companies. A candidate may only be present in one slate failing which he will be ineligible.

Slates, signed by those submitting them, are deposited at the registered office at least fifteen days before the scheduled date of the Meeting called to resolve on the appointment of Auditors. These slates are made available for consultation by the public at the registered office as well as at the market management company and on its own website, under the terms and conditions laid down by the applicable regulations.

Slates must contain the names of one or more candidates for the position of Statutory Auditor and one or more candidates for the position of Alternate Auditor. The names of the candidates are marked in each section (statutory auditors section, alternate auditors section) by a progressive number and limited to a number no greater than the members to be elected.

Slates also contain, even as an appendix:

- a) information on the identity of the Shareholders who submitted them, with an indication of the overall percentage shareholding held and a certificate showing the ownership of that shareholding;
- b) a declaration from Shareholders other than those who hold, individually or jointly, a controlling or majority interest, certifying the absence of any connections within the meaning of article 144-quinquies of the Regulations for Issuers with the latter;
- c) a complete report on the personal and professional characteristics of the candidates accompanied by a list of the management and control positions held by the latter among other companies;
- d) a declaration by candidates certifying that there are no grounds for ineligibility and incompatibility, and that they possess the requirements laid down by law and by regulations from time to time in force, and that they accept the candidacy;
- e) any other additional or different declaration, report and/or document required by law and by applicable regulations.

If on the deadline for the submission of slates, only one slate has been submitted or only slates submitted by connected Shareholders within the meaning of the applicable

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<sup>12</sup> For information purposes, on 29 January 2008, Consob published resolution no. 16319, specifying the percentage required for submitting slates of candidates for the election of the management and control bodies of companies that closed their financial year on 31 December 2007. The threshold for the Company was established at 2.5% of the share capital.

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provisions, slates may be submitted up until the fifth day following that date. In this case, the thresholds specified above for the submission of slates are halved. Notice of the failure to submit minority slates, of the extended deadline for the submission of slates and of the reduction of the thresholds is given in the time and manner specified by applicable legislation.

For the election of the Auditors, the procedure is as follows: (i) from the slate which obtained the highest number of votes ("Majority Slate"), two Statutory Auditors and one Alternate Auditor are elected, based on the progressive order with which they are listed in the slate; (ii) from the second slate which obtained the highest number of votes and which has no connection, not even indirectly, with the Shareholders who submitted or voted for the Majority Slate pursuant to the applicable provisions ("Minority Slate"), one Statutory Auditor, who will chair the Board of Auditors ("Minority Auditor") and one Alternate Auditor ("Minority Alternate Auditor") are elected, based on the progressive order with which they are listed in the slate;

In the event of a tied vote between slates, the slate submitted by shareholders owning the largest shareholding at the time of submitting the slate or, alternatively, by the largest number of Shareholders will prevail.

If just one slate has been submitted, the Shareholders' Meeting casts its vote on that slate and if that slate obtains the relative majority of voters, without counting abstentions, all candidates indicated on that slate will be elected as Statutory and Alternate Auditors. The Chairman of the Board of Auditors is, in this case, the first Statutory Auditor candidate.

In the absence of slates, the Board of Auditors and the Chairman are appointed by the Shareholders' Meeting according to the ordinary statutory majorities.

If, for any reason, the Majority Auditor is not present, he is replaced by the Alternate Auditor taken from the Majority Slate.

If, for any reason, the Minority Auditor is not present, he is replaced by the Minority Alternate Auditor.

The Shareholders' Meeting called in accordance with article 2401, paragraph 1, of the Italian Civil Code makes appointments or replacements in observance of the principle of the necessary representation of minorities.

The current Board of Auditors was appointed by the Shareholders' Meeting of 27 April 2006 and its term of office will expire with the approval of the 2008 financial statements. The appointment of the current Board of Auditors was made on the basis of a single slate received by the Company.

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Name	Position	In office since	Slate	Indep. acc. to Code <sup>13</sup>	% attendance of BoA meetings	Other positions <sup>14</sup>
Vincenzo Donnataria	Chairman	27/04/06	n/a	no	100	27
Maurizio Civardi	Statutory auditor	27/04/06	n/a	no	100	44
Alessandro Martinelli	Statutory auditor	27/04/06	n/a	no	80	22
Piero Angelo Bottino	Alternate auditor	27/04/06	n/a	no	n/a.	n/a.
Fabio Egidi <sup>15</sup>	Alternate auditor	09/05/07	n/a.	no	n/a.	n/a.

Appendix 3 to this Report contains information on the personal and professional characteristics of the Statutory Auditors as required by article 144-decies of the Regulations for Issuers.

The Board checks on an annual basis that the Auditors continue to satisfy the requirements of professionalism and integrity that they are required to possess in accordance with Ministry of Justice Decree no. 162 of 30 March 2000. In the Financial Year, this check was carried out on 13 February 2007.

In addition to the requirements laid down under applicable legislation, the Company's Auditors must have also proven skills and expertise on tax, legal, organisational and accounting matters, in order to ensure the Company the maximum efficiency in the controls and the diligent performance of their duties.

By way of derogation from application criterion 10.C.2 of the 2006 Code, the Board did not consider it necessary to stipulate expressly that the Auditors must be chosen from among individuals who are qualified as independent on the basis of the criteria indicated with reference to the Directors, deeming the legislative provisions to be sufficient and

<sup>13</sup> By way of derogation from application criterion 10.C.2 of the 2006 Code, the Board did not consider it necessary to stipulate expressly that the Auditors must be chosen from among individuals who are qualified as independent on the basis of the criteria indicated with reference to the Directors. See explanation in the body of the Report.

<sup>14</sup> "Other positions" means the total number of positions held within companies as laid down in Book V, Title V, Chapters V, VI and VII of the Italian Civil Code, as taken from the list attached, pursuant to article 144-*quinquiesdecies* of the Consob Regulations for Issuers, to the report on supervisory activity, drawn up by the auditors pursuant to article 153, paragraph 1 of the Consolidated Finance Act.

<sup>15</sup> On 16 March 2007, the Alternate Auditor Andrea Patarnello, appointed by the Shareholders' Meeting of 27 April 2006, tendered his resignation. The Shareholders' Meeting of 9 May 2007 appointed Fabio Egidi as replacement for the outgoing alternate auditor.

Name	Position	In office since / to	Slate	Indep. acc. to Code	% attendance of BoA meetings
Andrea Patarnello	Alternate auditor	27/04/06	n/a	X	n/a

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taking into account the recent election of the Board of Auditors on 27 April 2006, and the fact that the current Board of Auditors has multi-disciplinary skills in legal, accounting and fiscal matters. At the present time, the SAES Getters Corporate Governance Code stipulates that Shareholders who submit slates for the appointment of the Board must indicate the suitability, if applicable, of the candidates to be qualified as independent, leaving the Shareholders' Meeting during appointment to assess the weight of that qualification.

Auditors accept the appointment where they believe that they can devote the necessary time to the diligent performance of their duties.

Auditors act with autonomy and independence even with regard to the Shareholders who elected them.

An Auditor who has an interest, either directly or on behalf of third parties, in a certain transaction of the Company shall inform the other Auditors and the Chairman of the Board of Directors in a timely and thorough manner about the nature, terms, origin and extent of his interest.

The Board of Auditors, within the scope of the duties assigned to it by law, oversees the concrete implementation of the Corporate Governance rules set forth in the Code and ascertains the correct implementation of the assessment criteria and procedures adopted by the Board of Directors for evaluating the independence of its members. The outcome of these checks is disclosed to the market in the Corporate Governance report or in the Auditors' report to the Shareholders Meeting.

The Board of Auditors also monitors the independence and autonomy requirements of its own members, disclosing the results to the Board of Directors in time for compiling the annual Corporate Governance report. During the Financial Year, the Board of Auditors checked the continued satisfaction of the independence requirements on 18 June 2007.

It is the duty of the Board of Auditors to evaluate the proposals submitted by the independent audit firms for obtaining the relevant appointment, as well as the work plan prepared for the audit and the results described in the report and in any letter of suggestions. The Board of Auditors also monitors the effectiveness of the auditing process and the independence of the audit firm, checking both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to the Company and its subsidiaries by the same audit firm and by the entities belonging to its network.

The Board of Auditors checked the independence of the audit firm, check both compliance with legislative provisions and the nature and extent of services other than financial auditing provided to SAES Getters S.p.A. and its subsidiaries by Reconta Ernst & Young S.p.A. and the entities belonging to its network.

As part of its activities, the Board of Auditors may ask the Internal Audit unit to carry out checks on specific areas of operation or transactions of the Company.

The Board of Auditors and the Audit Committee from time to time exchange relevant information required for the performance of their respective duties.

During the year, the Board of Auditors met five times.

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## 8. RELATIONS WITH SHAREHOLDERS

### 8.1. RELATIONS WITH INVESTORS

The Chairman and the Managing Directors, while complying with the procedure for the handling of inside information, try hard to develop a constant dialogue with Shareholders, with institutional investors, and with the market in general, in such a way as to guarantee the systematic disclosure of thorough and timely information about the Company's activities. The disclosure of information to investors, to the market and to the press is achieved through press releases and through regular meetings with institutional investors and with the financial community.

The dialogue with institutional investors, the majority of Shareholders and analysts is entrusted to a dedicated unit called Investor Relations, in order to establish an ongoing professional relationship and a correct, continual and thorough flow of information.

At the present time, relations with shareholders are managed by the Chief Financial Officer and Managing Director Giulio Canale with the assistance of Emanuela Foglia.

During 2007, meetings and conference calls were organised for the purposes of the regular economic/financial reporting activities. During the Financial Year, in particular, the Company participated in the institutional events organised by Borsa Italiana S.p.A. (Milan - March 2007, London - October 2007).

An email address is available ([investor\\_relations@saes-group.com](mailto:investor_relations@saes-group.com)) to which requests for information can be sent and from which clarifications and explanations to Shareholders can be sought on transactions carried out by the Company.

### 8.2. WEBSITE

An important role is played by the Company's website ([www.saesgetters.com](http://www.saesgetters.com)), where it is possible to find economic/financial information (such as financial statements, half-yearly and quarterly reports) as well as information and documents of interest to the Shareholders as a whole (press releases, presentations to the financial community, calendar of company events) in both Italian and English.

In the Investor Relations section of its website, the Company posts important or mandatory information which enables Shareholders to exercise their rights in full knowledge of the facts, including information on participation and exercise of voting rights in Shareholders' Meetings, as well as documentation concerning items on the agenda of Shareholders' Meetings, including the slates of candidates for the positions of Director and Auditor with an indication of their personal characteristics and professional qualifications.

The Company's inclusion and continued presence on the STAR (Securities with High Requirements Segment) segment of Borsa Italiana S.p.A. is also an indicator of its ability to satisfy the strict reporting standards which constitute an essential requirement for such inclusion.

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## 9. SHAREHOLDERS' MEETINGS

The Chairman and Managing Directors encourage and work hard to promote the widest possible participation of Shareholders in Shareholders' Meetings, as an effective opportunity for dialogue and interaction between the Company and investors. As a general rule, all Directors attend Shareholders' Meetings.

The Board of Directors tries to limit the restrictions and formalities that might make it difficult or burdensome for the Shareholders to participate in the Shareholders' Meeting and to exercise their voting right.

Shareholders' Meetings are also an opportunity to provide Shareholders with information on the Company, while complying with the rules governing inside information.

In particular, the Board reports to the Shareholders' Meeting on activities carried out and planned and tries to ensure that the Shareholders receive adequate information so that they can take the decisions for which they are responsible with full knowledge of the facts.

During the Financial Year, the Shareholders met in ordinary session on 9 May 2007 to approve the financial statements for the year ended 31 December 2006, to pass resolutions pursuant to articles 2357 and 2357-ter of the Italian Civil Code, to adopt decisions resulting from the resignation of an alternate auditor and to resolve on the appointment of the audit firm.

On 29 June 2007, the Shareholders met in extraordinary session to examine the proposed amendment of the By Laws, also in order to comply with the provisions of the Savings Law as amended by Legislative Decree 303/2006.

For the purposes of attending Shareholders' Meetings, the Company requires prior notification pursuant to article 2370, paragraph 2, of the Italian Civil Code, which must arrive at least two working days before the Meeting. Indeed, article 10 of the By Laws reads:

*"Attendance and representation at Shareholders' Meeting are governed by statutory provisions.*

*Shareholders with voting rights for whom the Company has received, at least two business days prior to the Shareholders' Meeting, the notification issued by the authorised intermediary who holds the accounts in dematerialised form, shall have the right to attend the Meetings.*

*The Chairman of the Meeting shall be responsible, either directly or through appointees, for checking that the Meeting is validly convened, for verifying the identity and legitimacy of those present, for chairing the meeting, for establishing the methods of discussion and voting (which shall in all cases be transparent) and for announcing the results of votes."*

### Regulation of Shareholders' Meetings

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The experience gained with regard to the orderly and functional nature of Shareholders' Meeting has led to the conclusion that there is no current need to prepare specific regulations for regulating the meetings. Shareholders' Meetings have always been held with the utmost regularity, allowing all Shareholders involved to intervene in order to formulate requests for clarification and to express their observations thoroughly. A response has always been given to the queries raised by Shareholders and the drafting of the minutes of the Meetings, including in ordinary session, is entrusted to a Notary.

Therefore, the Board of Directors, taking into consideration the orderly and functional conduct of the Company's Ordinary and Extraordinary Shareholders' Meetings to date, and the lack of need to restrain the intervention of Shareholders during the Meeting in view of the limited free float, and wishing instead to encourage the broadest possible participation of Shareholders in Meetings, does not deem it necessary for the time being to draw up any procedure governing the participation of Shareholders. However, the Company reserves the right to draw up such regulations should it observe a lack of fair debate during meetings.

### **Significant Changes in the market capitalisation of shares**

In the Financial Year 2007 ordinary and savings shares listed on STAR on the Italian *Mercato Telematico Azionario* managed by Borsa Italiana S.p.A., recorded a decrease in value equal to 29% and 25% respectively, to be compared with a decrease of 9% and 16%, recorded by Mibtel and AllSTAR indexes respectively.

### **Significant Changes in the shareholdings**

On 11 July 2007 S.G.G. Holding S.p.A., company which is controlling SAES Getters S.p.A., transferred to Carisma S.p.A. no. 860,000 SAES Getters S.p.A. ordinary shares. Following such transfer, S.G.G. Holding S.p.A. maintained the control over SAES Getters S.p.A. by still owning a shareholding equal to 51.16% of the voting capital stock. In February 2008, S.G.G. Holding S.p.A. bought no. 74,500 SAES Getters S.p.A. ordinary shares so increasing its shareholding to 51.65% of the voting capital stock of the Company.

In December 2007, BG SGR S.p.A. and The Antares European Fund Limited decreased their respective shareholding in Saes Getters S.p.A. below the relevant threshold of 2%.

## **10. CHANGES SINCE THE END OF THE FINANCIAL YEAR**

There have been no changes in the Corporate Governance structure since the end of the financial year, except for the co-opting of director Pietro Mazzola to replace director Roberto Berger, on 13 February 2008, as better described in paragraph 4.1.