

# ORDINARY AND EXTRAORDINARY SHAREHOLDERS' GENERAL MEETING OF 12<sup>th</sup> APRIL 2006 OR 13<sup>th</sup> APRIL 2006

## BOARD OF DIRECTORS' CORPORATE GOVERNANCE REPORT ABOUT COMPLIANCE WITH CORPORATE GOVERNANCE CODE

Rome, 28<sup>th</sup> of March 2006

*To the Shareholders of TAS Tecnologia Avanzata dei Sistemi S.p.A.*

Shareholders,

Your Company, in order to have a proper Corporate Governance system, adopted the Corporate Governance Code for Listed Companies. Also the By-Laws, as amended at the time of IPO and more recently as a consequence of the New Company Law, has been adjusted in the light of recommendations of the said Code, of Law 58/98 and following regulations and of the New Italian Civil Code.

Pursuant to Article 124-bis of Law 58/98 and of Article IA.2.14 of the Instructions accompanying Rules for the Markets, we hereby provide the yearly information, detailed as follows, about the Company's compliance with Code recommendations and rules July 2002 version. During the current year the corporate governance will be updated in the light of the new Code, March 2006 version.

### **Governance system and structure**

**Composition of Company equity** – The Company's share capital is currently formed of no. 1,772,152 stocks each of nominal value of Euro 0.52 for a total of Euro 921,519.04.

**Controlling Partners** – According to information contained in the draft yearly report and in the Company's records, as well as to communication received pursuant to Article 120 of Legislative Decree 58/98 and other information available, shareholdings over 2% are the following:

Paolo Ottani through N.C.H. Network Computer House S.p.A. with no. 1,192,230 stocks, equal to 67.276% of the share capital

Kairos Partners SGR S.p.A. with no. 52,500 stocks, equal to 2.962% of the share capital

Paolo Panerai through e-Class S.p.A. with no. 36,000 stocks, equal to 2.031% of the share capital

**Shareholder agreements** – There are no shareholder agreements since 16<sup>th</sup> of April 2003, when the former one existing between the controlling partners has been terminated.

**Company affiliation to a Group, identity of the entity in charge of management and coordination** – The Company is the parent company of the controlled undertakings TAS FRANCE E.U.R.L. and APIA S.A.. and N.C.H. Network Computer House S.p.A. is in charge of its management and coordination.

### **Information on Corporate Governance Code Implementation**

The Company's structure may be summarised as follows:

- **Board of Directors Membership – Independent Directors**  
The number of members of the Board of Directors under the Company's By-Laws may vary from a minimum of five to a maximum of eleven. The Board of Directors appointed by the Shareholders General meeting of 16<sup>th</sup> of April 2003 and expiring with the approval of the yearly report as at 31/12/2005, is currently formed as follows:
  - Pompeo Busnello, Chairman of the Board of Directors
  - Paolo Ottani, Non-Executive Director
  - Matteo Tamburini, Non-Executive Director
  - Angelo Bassi, Non - Executive Independent Director

- Fabio Massimo Ferri, Non - Executive Independent Director.

In compliance to recommendations of the Corporate Governance Code, the current Board of Directors includes, among its five members, four non-executive Directors, whose specific technical knowledge and experience with reference to the field of activity of the Company, is useful for their duty of strategic direction and supervision, guaranteeing conscious and sounded decisions of the Board. The non-executive independent Directors, furthermore, confirmed also this year, as published in the yearly report, that they do not entertain, directly or indirectly or on behalf of third parties, business relationships with the company, its subsidiaries or the shareholders who control the company, neither own a meaningful quantity of shares, nor are close relatives of executive Directors or of persons entertaining the said business relationships or shareholdings: they are therefore independent. As for the position of the members of the Board in Board of Directors or of Auditors of other companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies and large companies, during the financial year 2005, the following information have been communicated:

Matteo Tamburini:

<u>Member of the Board of Directors</u>	<u>Chairman of the Board of Auditors</u>	<u>Sindaco Effettivo</u>
Risanamento S.p.A. (since 7/05/2003)	Ducati Corse s.r.l. (since 17/04/2001)	Wrap S.p.A. (since 7/05/2003)
N.C.H. Network Computer House S.p.A. (since 6/05/2003)	Ducati Motor Holding S.p.A. (since 26/04/2001)	GTS Group S.p.A. (until 25/07/2005)
Beghelli S.p.A. (since 30/04/2003)	Ballantyne Cashmere s.r.l. (since 20/04/2004)	Cermet Certificazione e ricerca per la qualità Soc. Cons. a r.l. (since 5/05/2003)
Gnudi Guatri Consulenti Associati s.r.l. (since 9/07/2002)	Mirage Granito Ceramico S.p.A. (since 17/06/2005)	Martelli Lavorazioni Tessili S.p.A. (until 8/07/2005)
Adaltis Italia S.p.A. (since 30/04/2003)	Olympic R.E. S.p.A. (since 18/10/2005)	Kartogroup S.p.A. (since 14/07/2005)
Adaltis Inc.		Investitori & Partner Immobiliari S.p.A. – Inpartner S.p.A. (since 25/11/2005)
Alerion Industries S.p.A. (since 14/05/2003)		Imprenditori Associati S.p.A. (since 27/04/2005)
Istituto Bancario Sammarinese S.p.A. (since 27/04/2000)		Gruppo Concorde S.p.A. (since 28/06/2002)
Fiera di Roma s.r.l. (until 27/04/2005)		Ciba Speciality Chemicals S.p.A. (since 8/07/2003)
Serenissima-SGR S.p.A. (since 23/07/2004)		Ferrari S.p.A. (since 25/02/2004)
Smau s.r.l. (until 26/07/2005)		Gemmo S.p.A. (since 31/12/2005)
Marcolin S.p.A. (since 28/04/2005)		
Bologna Football Club 1909 S.p.A. – BFC S.p.A. (since 6/10/2005)		
Martelli Lavorazioni Tessili S.p.A. (since 8/07/2005)		
Promotor International S.p.A. (since 15/12/2005)		
DS-Data Systems S.p.A. (since 15/09/2005)		

Paolo Ottani

N.C.H. Network Computer House S.p.A.	Managing Director (since 1985)
Versilia Golf S.p.A.	Managing Director (since 1999)
N.C.H. International s.r.l.	Chairman (since September 2003)
RT Relational Tools S.L.	Director (since 19 July 2005)

Article 29 of the By-Laws also provides for the possible appointment of an internal committee (“The Wise Men Committee”) playing an advisory role, formed by the Chairman, the Managing Directors and an suitable number of non executive Directors.

- Role of the Board of Directors – The Board of Directors has the wider powers for ordinary and extraordinary management and in particular those for achieving the company’s goals with the

exception of acts of exclusive responsibility of the shareholders meeting under the law and the By-Laws. Pursuant to Articles 25 and 26 of the By-Laws, in addition to other authorities that cannot be delegated according to the law, those in letters a), b), c), d), e) and f) of Article 1.2 of the Corporate Governance Code are of exclusive responsibility of the board. Following the same order as in the Corporate Governance Code, it is expressly stated that: the Board of Directors appoints one or more managing Directors and, if useful or necessary, an Executive Committee, attributing powers, tasks and procedural rules, within the limits set by the law and By-Laws, who refer to the Board at least quarterly; it decides the fees of Directors who are appointed to specific positions according to Article 2389 Italian Civil Code, with the cooperation of the recently established Remuneration Committee, within its authority; it refers on potential conflict of interest transactions during the meetings and therefore at least quarterly, determining the general management and evaluating its trend; it approves the internal regulations; it decides on sale and purchase of controlling shareholdings; it reviews and approves the company's strategic, operational and financial plans as well as transactions having a significant impact on the company's profitability and in particular those involving related parties; it evaluates the adequacy of the company's structure as well as the corporate structure of the group.

With specific reference to letter e) of the above Article 1.2, the By-Laws expressly state that the Board or those Directors who are appointed to specific positions, each as far as they are concerned, report to the board of auditors and, as for managing directors, to the Board itself on their activity, the management trend and expected trend and main financial economic and equity transactions of the Company or its subsidiaries; in particular the Board refers about the potential conflict of interest transactions. Such report takes place during the board's meetings at least quarterly, in compliance to the Corporate Governance Code recommendations or, if urgent, by way of registered letter sent to each internal auditor.

Regarding transactions involving related parties, in addition to the applicable laws and By-Laws provisions, on 13<sup>th</sup> of May 2004 the Board adopted a procedure, within its authority, aimed to obtain fairness in transactions involving related parties.

Furthermore, adhering to the faculty under Article 2365 Italian Civil Code, the Board has delegated authorities concerning mergers in the cases detailed in Articles 2505 and 2505-bis, establishment and removal of secondary offices, determination of those of the Directors with authority to represent the company, share capital decrease in case of shareholder's renunciation, By-Laws adjustments to new rules of law, change of address of the registered office within the national territory.

In the year 2005 nine meetings of the board have been held and it is foreseeable that five will be held in 2005, as already anticipated in the calendar of company events published in compliance to Article 2.6.2, 2<sup>nd</sup> paragraph, letter c) of the Rules of the Markets organised and managed by Borsa Italiana S.p.A.. Almost all members attended all meetings.

- Chairman of the Board of Directors – The Chairman of the Board of Directors has the power to call the meetings, to determine the agenda, to coordinate the discussion, to inform in advance all members so that they can consciously contribute to the board's decisions. The Chairman has furthermore delegated authority for single ordinary and extraordinary management, within the limits of the law and By-Laws provisions and except those of exclusive responsibility of the Board. The Chairman refers to the Board and to the Board of Auditors on his exercise of delegated authorities at least quarterly.
- Vice – Chairman – Lucia Busnello, already Managing Director, on 13<sup>th</sup> of May 2004 has been appointed Vice – Chairman with all the powers stated under the law and By-Laws in case of absence or impossibility of the Chairman. On the 2<sup>nd</sup> of September 2005 has resigned and no other vice – Chairman has been appointed.
- Managing Directors – The Board appointed as Managing Directors, pursuant to the By-Laws provisions, Lucia Busnello and Barbara Busnello, with powers to decide purchase and expenditure for ordinary management of the Company, to represent it before central and local offices of the Financial Administration, to sign the relative declarations and statements, to effect payments and represent the company with banks. Such authorities are delegated to each of them and with reference to the object, whose exercise shall be referred to the Board at least quarterly. Both resigned on the 2<sup>nd</sup> of September 2005.

- Appointment to the Board of Directors – According to what stated under Article 18 of the By-Laws, the Board is appointed by the shareholders general meeting on the basis of slate voting proposals to be deposited at the Company’s registered office at least ten days before the date set for the shareholders meeting, accompanied by detailed information on the personal traits and professional qualifications of candidates, whether they may qualify as independent directors at least for two of the candidates and by a statement where each of them accepts the candidature and declares to be eligible and compatible with the position and to possess all necessary requirements under applicable laws. The Board is appointed using a slate voting procedure apt to guarantee to minority slates at least one fifth of the directors to be appointed. The Board – in compliance to the Code’s recommendations – can also establish a Nomination Committee, the majority of whose members are non executive directors, proposing its own slate pursuant to the above mentioned rules, accompanied by detailed information on the personal traits and professional qualifications of candidates. Currently the Nomination Committee has not been established as the management structure would become too heavy in consideration of the Company’s size and the number of Directors.
- Remuneration of Directors – The fee of Directors, as provided for in Article 2389 Italian civil code and in Article 24 of the By-Laws, is determined by the shareholders meeting. In particular, in the meeting of 16<sup>th</sup> of April 2003, the Company decided an attendance check of the amount of Euro 500.00 to each member for each meeting. On the other hand, remuneration of those Directors who are appointed to specific positions is submitted to the Board pursuant to Article 2389 Italian Civil Code. The Board, on the 7<sup>th</sup> of September has decided for the Chairman of the board the remuneration of 20,000 Euro per month. Remuneration of the management is not bound to the company’s results nor to specific goals because until the 1<sup>st</sup> of January 2006 a stock option plan was in force. Pursuant to Article 2.2.3 paragraph 3 letter m) number 2) of the Rules of the Markets, the Board recently established the Remuneration Committee.
- Internal Control and Internal Control Committee – On 15<sup>th</sup> of April 2000 the Board appointed Fausto Servello and Cristiana Mazzenga as persons to run internal control system, with the task of controlling the actual compliance of internal operational and administrative procedures, adopted for a sound and efficient management of the Company. In compliance to the Code recommendations Cristiana Mazzenga is not placed hierarchically under managers in charge of business operations, depending directly to the Group management; Fausto Servello, on the other hand, is placed under the Commercial Manager but, in consideration of the size of the Company and the wide majority of technicians among employees, no other employee has been deemed suitable. The Internal Control Committee has been also established, formed by the two independent Directors, Angelo Bassi and Fabio Massimo Ferri, and by the non – executive director Matteo Tamburini, with the tasks provided for in the Corporate Governance Code. The appointed persons timely report to the Chairman of the Board and at least quarterly to the Internal Control Committee as well as to the Board of Auditors. The Board assessed as appropriate the internal control system.
- Remuneration Committee - On 19<sup>th</sup> of February 2004, in compliance to Article 2.2.3 paragraph 3 letter m) number 2) of the Rules of the Markets, the Remuneration Committee has been established formed by the two non-executive and independent Directors, Angelo Bassi and Fabio Massimo Ferri and by the non - executive Director Matteo Tamburini, with the tasks provided for in the said Rules.
- Handling of Confidential Information – The Board, within its powers stated under Article 25 of the By-Laws, has adopted procedures for third party’s disclosure of information and documents concerning the Company, in particular the “*price sensitive*” ones, identifying roles, responsibilities and modalities. Such procedure has been updated by the Board of Directors on 28<sup>th</sup> of February 2006 in the light of the new Consob Regulation 11971/99, Articles 65 and following.
- Transactions involving related parties – The Board, pursuant to the Corporate Governance Code recommendations, on 13<sup>th</sup> of May 2004 has adopted the “Guidelines for transactions having a significant impact and in particular those involving related parties”. This document lists some transactions having a significant impact and identifies related parties as under principle IAS 24, subject to compliance with substantial and procedural fairness. It is further established that, in case of interest

by the directors in the transaction, even outside the conflict of interest, those must provide in advance detailed information to the Board and should be removed from the meeting save when a reasoned authorisation is given, is such removal may influence the quorum for the decision. However, ordinary and recurring transactions, transactions carried out in the usual course of the activity, without risks or critical issues, or else at the same conditions applied to any other third party, do not need authorisation. Managing Directors, on the other hand, shall keep adequate information about the nature of the transaction, the economic conditions applied and modalities, reporting to the Board's first meeting. Information concerning transactions involving related parties will also be reported in the company's yearly and consolidated report applying principle IAS 24. Please refer to the TAS yearly Report and Consolidated Report as at 31 December 2005 for further details about operations in 2005.

- Internal dealing – The Board of Directors approved, on 12<sup>th</sup> of November 2002, the Internal Dealing Code, effective since 1<sup>o</sup> January 2003. This document has been updated on the 11<sup>th</sup> November 2005 and will be subject to further evaluation in the light of the applicable rules in Articles 152-bis and following Articles of Consob Regulation 11971/99. According to the Code and in compliance to the Borsa Italiana rules in force until the 31<sup>st</sup> of March 2006, members of the board of directors and of the board of auditors as well and the management must inform the Company, that shall then disclose it to the market, transactions equal or higher than 50,000 Euro at the end of each quarter within the deadlines provided for by the Borsa. In the event of transactions equal or higher than 250,000 Euro, such communication shall take place immediately. The Company has further established, in order to give a strong signal of transparency and fairness to the market, to summarise in the half year report and in the yearly report all transactions referred to those positions regardless their value. The Board has decided to prevent the same from any transaction close to the date of approval of quarterly, half year and yearly data, save additional black-out periods to be decided. The exercise of option rights or stock options need not to be communicated to the market.
- Investor relations – Following the IPO on the Nuovo Mercato (now MTAX), Renato Nardo and Cristiana Mazzenga have been appointed respectively as Investor Relator and vice- Investor Relator for the Borsa Italiana, with the task to develop a dialogue with institutional investors and shareholders, in compliance with the procedure for disclosure of documents and information concerning the Company. From time to time meetings with Italian and foreign investors are also organised.
- Shareholders' Meetings – In order to encourage and facilitate the shareholders' attendance at the meetings as well as to guarantee their regularity, the Company adopted rules of procedure. Among other issues, the said rules grant to each shareholder the right to speak on the agenda's subject matter. The rules of procedure, distributed during the shareholders' meetings, are also available at the Company's registered offices for the shareholders' survey, as well as at the Registrar office.
- Board of Auditors – Pursuant to Article 31 of the By-Laws, the members of the current Board of Auditors, until the shareholders' meeting for the approval of the yearly report as at 31/12/2007, are the following:
  - Edoardi Cintolesi, Chariman of the Board of Auditors
  - Fulvio Tranquilli, Full Member
  - Francesca Beatrice Surace, Full Member
  - Federico Alesiani, Alternate
  - Alba Rita Maglietta, Alternate

In compliance to Article 31 of the By-Laws, the Board of Auditors is appointed on the basis of slate voting proposals to be deposited at the Company's registered office at least ten days before the date set for the shareholders meeting, accompanied by a statement where each of them accepts the candidature and declares to be eligible and compatible with the position and to possess all the necessary requirements under applicable laws and by detailed information on the personal traits and professional qualifications of candidates. In particular Article 31 of the By-Laws states that candidates and members of the Board cannot hold the same position in more than four listed companies and must be in possess of all professional and honourable requirements determined by applicable laws clarifying,

for that purpose, that IT and communication are field to be deemed closely connected to the company's activity. The Board is appointed on the basis of slate voting procedure providing for appointment of at least one member by the minority shareholders.

**For the Board of Directors**  
**The Chairman**  
(Pompeo Busnello)

**TABLE 1: BOARD AND BOARD COMMITTEES**

Board of Directors							Internal Control Committee •		Remuneration Committee ♦		If applicable Nomination Committee ◇		If applicable Executive Committee	
Position	Incumbents	Executive	Non-executive	independent	****	Number of other positions held **	***	****	***	****	***	****	***	****
<b>Chairman</b>	BUSNELLO Pompeo	X			9/9 (100%)									
<b>Vice – Chairman and Managing Director</b>	BUSNELLO Lucia (until the 2 <sup>nd</sup> of September 2005)	X			4/4 (100%)				X					
<b>Managing Director</b>	BUSNELLO Barbara (until the 2 <sup>nd</sup> of September 2005)	X			4/4 (100%)									
<b>Director</b>	OTTANI Paolo		X		5/5 (100%)	3								
<b>Director</b>	TAMBURINI Matteo		X		4/5 (80%)	28 (as at year-end)	X	2/2 (100%)	X					
<b>Director</b>	BASSI Angelo		X	X	9/9 (100%)		X	4/4 (100%)	X					
<b>Director</b>	FERRI Fabio Massimo		X	X	6/6 (100%)		X	4/4 (100%)	X					
• If there is no Committee or if its membership is different from that recommended by the Code, explain briefly why:														
♦ If there is no Committee or if its membership is different from that recommended by the Code, explain briefly why: The Committee has been appointed according to Articles 2.6.5 bis and 2.2.1 paragraph 14 letter c) of the Rules of Nuovo Mercato on 19 <sup>th</sup> of February 2004														
◇ If there is no Committee or if its membership is different from that recommended by the Code, explain briefly why:														
<b>Number of meetings held during the year under review</b>		Board of Directors: 9		Internal Control Committee: 4		Remuneration Committee:		Nomination Committee:		Executive Committee:				

**NOTES**

\*Directors nominated through minority slates.

\*\* Number of other memberships in boards of directors or of auditors held in other companies listed on regulated markets, in Italy and abroad, in financial companies, banks and insurance companies or more generally in large companies. The Corporate Governance Report provides details as to the actual position held.

\*\*\*Director is member of this Committee.

\*\*\*\* Director's attendance at meetings of the board of directors and of the board committees, in percentage of meetings held.

**TABLE 2: BOARD OF AUDITORS**

<b>Position</b>	<b>Incumbent</b>	<b>Attendance, in percentage of meetings held</b>	<b>Number of other position held**</b>
<b>Chairman (until 28<sup>th</sup> of April 2005) Full Member (since 28<sup>th</sup> of April 2005)</b>	TRANQUILLI Fulvio	6/6 (100%)	0
<b>Chairman (since 28<sup>th</sup> of April 2005)</b>	CINTOLESI Edoardo	5/5 (100%)	0
<b>Full Member</b>	SURACE Francesca Beatrice	6/6 (100%)	
<b>Full Member (until 28<sup>th</sup> of April 2005) Alternate (since 28<sup>th</sup> of April 2005)</b>	ALESIANI Federico	1/1 (100%)	0
<b>Alternate</b>	MIGLIETTA Alba Rita	0	0
<b>Alternate (until 28<sup>th</sup> of April 2005)</b>	PETRANGELI Pietro	0	0
<b>Number of meetings held during the year under review: 6</b>			
<b>Quorum required for minority shareholders to present a slate for the appointment of one or more full members (under Legislative Decree no. 58/1998 Art. 148): 5%</b>			

**NOTES**

\*Full members nominated through minority slates.

\*\*Numbers of other memberships in boards of directors or of auditors held in the other companies listed on regulated markets in Italy. The Corporate Governance Report provides details as to the actual position held.



**TABLE 3: OTHER CORPORATE GOVERNANCE CODE PROVISIONS**

	YES	NO	Summary explanation to be provided in case of non-compliance with Code provisions
<b>Delegations authority and transactions involving related parties</b>			
Has the board of directors delegated authority and defined:			
a) limits applicable thereto	YES		
b) manners of exercise applicable thereto	YES		
c) reporting frequency applicable thereto?	YES		
Has the board of directors retained the power to review and approve transactions of particular significance for the company's profitability, assets and liabilities r financial position (with special reference to transactions involving related parties)?	YES		
Has the board of directors defined guidelines and criteria for the identification of "transactions of particular significance"?	YES		
Are these guidelines and criteria described in the Report?		NO	They are described in the procedure approved by the Board of Directors
Has the board of directors defined procedures for the review and approval of transactions involving related parties?	YES		
Are the procedures for approval of transactions involving related parties described in the Report?	YES		
<b>Procedures followed for the most recent appointments to the board of directors and the board of auditors</b>			
Were proposals for the appointment to the position of director deposited at the company's offices at least 10 days ahead of time?	YES		
Were these proposals accompanied by detailed information?	YES		
Did these proposals provide information on candidates' eligibility to qualify as independent directors?	YES		
Were the proposals for the appointment to the position of member of the board of auditors deposited at the company's offices at least 10 days ahead of time?	YES		
Were these proposals accompanied by detailed information?	YES		
<b>Shareholders' Meetings</b>			
Has the company adopted rules of procedure for its shareholders' meetings?	YES		
Are these rules of procedure attached to the report (or does the report indicate where such rules can be obtained/downloaded)?	YES		

<b>Internal Controls</b>			
Has the Company appointed persons to run its internal control system?	YES		
Are these persons not placed hierarchically under managers in charge of business units or operations?	YES		Nonetheless, in consideration of the size of the company and the great majority of technicians among employees, one of the appointed persons is placed under the Commercial Manager
Unit in charge of internal controls (under Code Art. 9.3)	Appointed persons to run Internal Control System: Legal and Commercial		
<b>Investor relations</b>			
Has the Company appointed an individual in charge of Investor Relations?	YES		
Unit and contact information (address/phone/fax/e-mail) for the company's Investor Relator	Investor Relator: Renato Nardo, at TAS Largo Caduti di El Alamein, 9 00173 Rome, tel: +39 - 06 72971422 fax: +39 - 06 72971444, e-mail: renato.nardo@tasitalia.com		