



Annual report

on corporate governance
and the ownership structure

as of 25 March 2010

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Definitions

“Board”: IndesitCos’ board of directors;

“CEO”: IndesitCo’s chief executive officer;

“Chairman”: IndesitCo’s chairman;

“Code”: the “Code of Conduct for Listed Companies” adopted by the Corporate Governance Committee of Borsa Italiana S.p.A., March 2006;

“Consolidated Financial Statements”: the Group’s consolidated financial statements at 31 December 2009;

“DP”: officer charged with preparing IndesitCo’s accounting documents;

“Group”: IndesitCo and its direct and indirect subsidiaries;

“HRC”: IndesitCo’s Human Resources Committee;

“ICC”: IndesitCo’s Internal Control Committee;

“ICS”: the Group’s internal control system;

“IndesitCo” or “Company”: Indesit Company S.p.A.;

“ITC”: IndesitCo’s Innovation and Technology Committee;

“Investor Protection law”: law 262 (28 December 2005), “provisions for the safeguarding of investors and disciplining of financial markets,” as subsequently amended and integrated;

“Issuer Regulation”: rules implementing legislative decree 58 (24 February 1998) adopted by Consob under resolution 11971 (14 May 1999) and subsequent amendments;

“Manual”: the “Accounting Standards Manual” adopted by the Group;

“Privileged Information”: information of a precise nature directly concerning IndesitCo and/or its subsidiaries which has not been made public and which could, if made public, appreciably affect the prices of financial instruments issued by IndesitCo;

“Register”: the register of people with access to Privileged Information kept at IndesitCo;

“Report”: this report on corporate governance and the ownership structure;

“Separate Financial Statements”: the separate financial statements of IndesitCo at 31 December 2009;

“Shareholders’ Meeting”: a meeting of IndesitCo shareholders;

“SP”: IndesitCo’s Supervisory Body;

“Statutory Auditors”: IndesitCo’s Board of statutory auditors;

“TUIF”: legislative decree 58 (24 February 1998) “Consolidated act concerning financial broking for the intents and purposes of art. 8 and 21, law 52, 6 February 1996” and subsequent amendments and additions;

“Vice-chairman”: the vice-chairman of IndesitCo.

“Website”: www.indesitcompany.com;

Introduction

The corporate governance system of IndesitCo is in substantial compliance with the principles set forth in the Code.

This Report¹ was approved by a Board meeting on 25 March 2010. Its purpose is to provide a full description of the corporate governance model adopted by the Company as of the date of its publication. To this end the Report is in two parts:

1. the first is a brief disclosure of the governance system;
2. the second is an analytical comparison between the model of governance actually adopted by the Company and the provisions of the Code.

The second part makes it possible to check compliance with the provisions of the Code (which represents best practice in Italy in this matter) and also explains the reasons for the (limited number of) departures therefrom.

Annex 1 sets forth the main characteristics of the existing risk management and internal control systems in relation to the financial reporting process, pursuant to art. 123-*bis*, clause 2, TUIF.

Certain words starting with a capital letter have the meanings attributed to them in the Definitions on the previous page.

¹ Drawn up in accordance with Borsa Italiana guidelines, February 2003, and the “Guide to compiling corporate governance reports” published in February 2004 by Assonime and Emittenti Titoli S.p.A. In drafting and adopting the Report, the Company also took into consideration Borsa Italiana’s “Format for corporate governance reporting”. Lastly, the Report contains the information required by art. 123 *bis*, TUIF.

PART ONE– Corporate governance system

1. General principles

As stated above, the corporate governance system adopted by IndesitCo conforms for the most part with the principles of the Code, in the conviction that said principles are essential to successful implementation of the following corporate governance policy objectives:

- clear definition of roles, responsibilities and degrees of importance of business operations;
- maximization of value for shareholders and other stakeholders;
- improved safeguarding of stakeholders and boosting of their trust;
- guaranteed transparency in financial communication for the market.

In many areas of corporate governance, the model developed by the Company and used throughout the Group reflects some of the most stringent regulatory standards and international best practice. For example:

- the majority of the Board are independent directors as defined by the Code;
- the Company is not subject to “direction and co-ordination” (as defined in art. 2497 and subs., Civil Code) by any other company²;
- there has been a clear segregation of powers between the Chairman and the CEO.

Further, on the subject of *internal dealing* and the Remuneration Committee, the Company has voluntarily gone well beyond the provisions of the Code and Italian law by adopting a procedure (not required by law) subjecting the Group’s directors, statutory auditors and top managers to *blocking periods*³ and *window periods*⁴ regulating transactions involving the financial instruments issued by the Company. Further, the HRC has tasks and functions that are considerably more onerous than those provided for it in the Code for the Remuneration Committee (eg. monitoring the state of the organization and the management’s development plans).

IndesitCo’s key corporate governance documents are:

- By-laws
- Rules disciplining Shareholders’ Meetings
- Procedure for corporate disclosures
- Procedure for *Significant transactions* and *Transactions with Related Parties*
- Procedure for notices to the Statutory Auditors (art. 150 TUIF)
- Code of Conduct pursuant to legislative decree 231/01
- Procedure ex art. 152-*octies* Issuer Regulation

² This judgement is based on a number of concordant elements. For example, reasons why the Company may assert that Fineldo S.p.A. (“Fineldo”), the company that in fact controls IndesitCo, does not carry out direction or co-ordination of the Company include the following: Fineldo *i*) it is in no way involved in the definition of the Company’s strategic 3-year plans or annual budgets, *ii*) it does not take part in decision making on the Company’s strategic operations, *iii*) it is not involved in the definition of the Company’s contractual or remuneration policies, *iv*) none of the Company’s business functions are centralized at Fineldo or vice versa.

³ Periods during which they are not allowed to carry out operations involving Company stock.

⁴ The only periods in which it is advisable to carry out operations involving Company stock.

- Procedure for setting up and keeping a register of persons with access to Privileged Information.

So that the market can look at the Company's corporate governance system in detail, the above listed documents are available (in Italian and English) on the Website (section: Company → Corporate Governance).

2. Disclosure pursuant to art. 123 bis, TUIF

Clause 1

a) Share capital

At 31 December 2009, IndesitCo's share capital subscribed and paid in amounted to €102,727,769.40 divided into 114,141,966 shares of par value €0.90 each of which:

| | # shares | % | Listed on | Rights and obligations |
|---------------------------------|--------------------------|-------|--|--|
| Ordinary shares | 113,630,684 ⁵ | 99.55 | Borsa Italiana S.p.A. telematic market | Shares are nominative and electronic. Each share entitles the holder to a proportional part of the profits of which distribution has been voted and of shareholders' equity arising from an eventual liquidation (save for the rights of savings shares as indicated hereunder). Each share carries the right to a vote, without any limitation. |
| Non-conv. savings shares | 511,282 | 0.45 | Borsa Italiana S.p.A. telematic market | Shares are registered or bearer and electronic. They do not have voting rights (except in the special category meeting). Profits as per the financial statements, after 5% to the legal reserve, are attributed to savings shares up to 5% of their par value. If in any year a dividend of less than 5% of their par value is assigned to the savings shares or if no dividend is assigned, the difference is added to the privileged dividend of the next two years. If a Shareholders' Meeting votes a distribution of profits, even partial, it shall be divided between all the shares so that savings shares receive an overall dividend higher than that of ordinary shares by 2% of the par value of the share. In the case of distribution of reserves, savings shares have the same rights as the other shares. Reduction of the share capital through losses does not entail reduction of the par value of savings shares beyond the portion of the loss in excess of the total par value of the other shares. The Board, directly or through its agents, must promptly inform the savings shares representative of any major economic, financial or equity operation by the Company or its subsidiaries which may affect the price of savings shares. In the case of delisting of the ordinary shares or savings shares, the latter maintain their rights, unless otherwise voted by a Shareholders' Meeting. Expenses incurred to safeguard the rights of savings shareholders, for whom a fund has been set up, shall be paid by Company up to €20,000 (including the common representative's fee). |

As a result of two share capital increases serving a stock option plan (as detailed in 6.3 hereunder), the approved share capital is €105,672,569.40, divided into 117,413,966 shares of par value €0.90 each, of which 116,902,684 ordinary and 511,282 non-convertible savings.

b) Restrictions on transfer of securities

There are no statutory restrictions on the transfer of securities.

c) Significant shareholdings

⁵ As of the date of approval of the Report, the number of treasury shares shows an increase of 10,000 due to the exercise of 10,000 options granted under the stock option plan for Group managers and middle managers, causing an increase in the share capital. The Report shall in any case state the share capital as of 31 December 2009.

On the basis of disclosures made pursuant to art. 120 TUIF, as integrated by information lodged prior to Shareholders' Meeting⁶, the following are significant shareholdings:

| NAME | TYPE OF OWNERSHIP | # ORDINARY SHARES | % of ordinary shares |
|--|--|--------------------------|-----------------------------|
| Vittorio Merloni | Direct | 1,338,300 | 1.178 |
| | Indirect through Fineldo S.p.A. | 45,182,029 | 39.759 |
| | Indirect through Merloni Progetti Int. Sa | 934,995 | 0.823 |
| | Indirect through Merloni Progetti S.p.A. | 97,061 | 0.085 |
| | Through Franca Maria Carloni, Wife | 254,840 | 0.224 |
| | Total | 47,807,225 | 42.069 |
| Ester Merloni | Direct | 5,042,400 | 4.437 |
| | Indirect through Fines S.p.A. | 7,415,190 | 6.525 |
| | Total | 12,457,590 | 10.962 |
| Francesco Merloni | Direct | 1,329,000 | 1.169 |
| | Life interest in Claudia Merloni shares – held under trust by Cordusio* | 2,294,611 | 2.019 |
| | Life interest - held under trust by Cordusio** | 391,042 | 0.344 |
| | Total | 4,014,653 | 3.533 |
| Maria Cecilia Lazzarini | Direct | 1,653,000 | 1.455 |
| | Life interest in Claudia Merloni shares*** | 1,492,346 | 1.313 |
| | Life interest in Maria Francesca Merloni shares | 131,354 | 0.116 |
| | Total | 3,276,700 | 2.883 |
| JPMorgan Asset Management (UK) Ltd | Direct | 2,569,497 | 2.261 |
| Claudia Merloni | Bare ownership – life interest to Francesco Merloni - held under trust by Cordusio* | 2,294,611 | 2.019 |
| | Bare ownership – life interest to Maria Cecilia Lazzarini*** | 1,492,346 | 1.313 |
| | Total | 3,786,957 | 3.332 |
| Cordusio Società Fiduciaria per Azioni ("Cordusio") | Held under trust on behalf of 3 rd parties, with life interest to Francesco Merloni** | 391,042 | 0.344 |
| | Held under trust for Claudia Merloni – life interest to Francesco Merloni* | 2,294,611 | 2.019 |
| | Total | 2,685,653 | 2.363 |
| Treasury shares | | 11,039,750 | 9.715 |

⁶ The table is as of the date of the Report. Any subsequent updates may be seen on the Website.

| | | | |
|--------------|--|--------------------|---------|
| Float | | 32,475,269 | 28.577 |
| Total | | 113,640,684 | 100.000 |

* shares counted only once in calculating total and percentages

** shares counted only once in calculating total and percentages

*** shares counted only once in calculating total and percentages

d) Securities carrying special rights of control

No securities carrying special rights of control have been issued.

e) Employee shareholders: procedure for exercising voting rights

None.

f) Restrictions on voting rights

None.

g) Agreements between shareholders, pursuant to art. 122 TUIF

None.

b) Change of control clauses

Within the sphere of normal business, the Company and Group companies are party to agreements with suppliers and financial and commercial partners which, as is customary in international contracts, include clauses entitling the parties to terminate or modify such agreements in the event of direct and/or indirect changes in the control of one of the parties.

It should be noted, among other things, that (1) the \$330 million bond loan contracted in September 2004 on the American market by the subsidiary Indesit Company Luxembourg SA and (2) the €350m multi-currency revolving loan agreed in July 2006 by a number of Group companies, both secured by IndesitCo, have clauses obliging the Company in the case of a change in the majority shareholder of IndesitCo to notify the counterparties, and entitling the latter to seek repayment.

i) Directors' indemnity in the event of resignation, dismissal or termination of relationship following a takeover bid

None.

l) Appointment and replacement of directors and modifications to the by-laws

The Board is appointed on the basis of lists submitted to the Company's head office at least 15 days before the date fixed for the 1st call meeting by shareholders who together represent at least the legal percentage (currently 2.5%) of the share capital with voting rights. Documents adequately illustrating candidates' professional and moral standing must be filed, among the others, along with each list.

A shareholder that presents a list, on his own account or with others, must provide a declaration stating under his own responsibility that there is no connection⁷ with other lists presented. Directors are appointed as follows:

- a. one director is taken from the list obtaining the most votes after the list indicated in b) hereunder;
- b. the other directors are taken from the list obtaining the most votes, in the progressive order in which they appear in such list.

The chair of the Board goes to the first candidate in the list in b above. Regarding the method described above, lists that don't obtain a minimum percentage of votes of half the percentage required

⁷ Connection is defined in art. 14 of the by-laws.

for submitting lists are not taken into consideration.

If during the year one or more directors relinquish office, the others replace them as required by law by appointing the first name in progressive order amongst the non-elected names in the list from which the outgoing director was taken, provided he is still eligible. If the outgoing director is independent for the purposes of art. 148, clause 3, TUIF, the procedure is the same as above provided there is still the minimum number of directors with independence requisites on the Board, otherwise, the first amongst the non-elected names with said requisites is appointed.

Election of directors appointed as per art. 2386 Civil Code is voted by the Shareholders' Meeting, with the legal majority, thus appointing replacements using the criteria in the previous paragraph. Directors appointed in this way stand down on expiry of the term of office of the other directors.

For further details, see art. 14 of the by-laws.

Modifications to the by-laws may be made in accordance with current legislation, as no further rules are provided for in the by-law themselves.

m) Mandates to increase the share capital and authorization to acquire own shares

The Board has not been mandated to increase the share capital pursuant to art. 2443 Civil Code, unless for the purposes of the stock-option plans mentioned in a) above, nor can it issue participatory financial instruments.

The Shareholders' Meeting called to approve the financial statements at 31 December 2009 must also vote on authorization for the Board to acquire own shares pursuant to art. 2357 and subseq. Civil Code⁸. The last resolution granting such authorization was voted on 29 April 2009 for a period of twelve months.

The number of treasury shares held at the close of the 2009 was 11,039,750, equal to 9.715% of the share capital.

Clause 2

a) Adoption of a code of conduct

See Introduction and Principles (Part One).

b) Description of existing risk management and internal control systems in relation to the financial reporting process (including the Consolidated Financial Statements)

See the following sections of Part Two of the Report: 7.2 (*Internal audit*), 8 (ICC), 10 (Treatment of confidential information), 17 (DP). On the "Main characteristics of the existing risk management and internal control systems in relation to the financial reporting process", also see Annex 1 to this Report.

c) Shareholders' Meeting procedures

See 12.3 (Shareholders' Meetings).

d) Composition and operation of administration and control bodies and their committees

See sections 1 (Board of directors), 5 (Human Resources Committee), 7 (Internal Control System), 8 (Internal Control Committee), 13 (Board of Statutory Auditors), 14 (Innovation and Technology Committee) (Part Two).

⁸ For further details of the proposed resolution, see the Board's report on the items on the agenda of the ordinary Shareholders' Meeting published within the legal term.

3. New developments in 2009

In 2009, the Group worked to complete the process of compliance to the Investor Protection law and the obtaining of OHSAS 18001 multi-site certification, which was issued in December 2009.

It was also engaged in the following corporate governance activities:

- updating of the Organization Model pursuant to legislative decree 231/01 and subsequent amendments and additions;
- study of compliance issues;
- review of internal organization procedures (involving all relevant company functions) to ascertain their adequacy with respect to the law.

To improve the Group's governance system, the board of directors, meeting on 11 February and 30 July 2009, granted the chairman, vice-chairman and CEO, jointly between any two of them, the power to sign deeds connected with transactions of major strategic importance, a function previously reserved exclusively to the Chairman.

4. Plans for 2010

The Company will now be engaged in the following corporate governance activities:

- full compliance with Italian legislation in application of EU directives on investors' rights and legally required auditing of accounts;
- compliance to the new, secondary regulations on transactions with related parties and new developments regarding disclosure of top management emoluments;
- review of statutory powers and powers of attorney following the appointment of new directors.

Meeting on 25 March 2010, the Board approved the new version of the Code of Conduct. Said Code sets forth the Company's guidelines concerning behaviour that may avoid the offences indicated in legislative decree 231/2001 as well as own ethical principles.

5. Company organization, management systems and chain of responsibility

The Company's management and control model is "ordinary" (as required by Italian law), ie. based on a board of directors, a Statutory Auditors and independent auditors. These bodies are elected by the shareholders and hold office for three year periods (except for the independent auditors who are retained for nine years).

The substantial number of independent directors and the key roles they play both on the Board and in its committees (described hereunder) ensure effective reconciliation of interests across all the shareholders and a wide base for board room discussion.

The Board has set up three committees, the HRC and the ICC, with roles and functions as per the Code, and the ITC.

An analytical comparison between the governance model actually implemented by the Company and the provisions of the Code is provided in the relevant sections of the second part of the Report and in the following table.

Assignment of powers and transactions with related parties

YES NO

| | | |
|--|---|--|
| In assigning powers, has the Board defined their: | | |
| a) limits; | X | |
| b) how they are to be exercised; | X | |
| c) how often they require reporting? | X | |
| Does the Board reserve exclusively to itself the approval of the transactions of major economic or financial importance (including transactions with related parties)? | X | |
| Has the Board laid down guidelines and criteria for identifying "significant" transactions? | X | |
| Are such guidelines and criteria described in the report on corporate governance and the ownership structure? | X | |
| Has the Board defined special procedures for reviewing and approving transactions with related parties? | X | |
| Are the procedures for reviewing and approving transactions with related parties described in the report on corporate governance and the ownership structure? | X | |

Procedures adopted at the last appointment of directors and statutory auditors

| | | |
|--|---|--|
| Were lists of candidates for the appointment of directors filed at least 15 days in advance? | X | |
| Were lists of candidates for the appointment of directors accompanied by full information? | X | |
| Were lists of candidates for the appointment of directors accompanied by indication of their eligibility as independent directors? | X | |
| Were lists of candidates for the appointment of statutory auditors filed at least ten days in advance? | X | |
| Were lists of candidates for the appointment of statutory auditors accompanied by full information? | X | |

Shareholders' meetings

| | | |
|---|---|--|
| Has the company approved a set of rules for Shareholders' Meetings? | X | |
| Are such rules attached to the report (or is it said where they may be found/downloaded)? | X | |

Internal control

| | | |
|--|---|--|
| Has the company appointed internal control officers?[1] | X | |
| Are such officers organizationally independent of operating area managers? | X | |

Investor relations

| | | |
|---|---|--|
| Has the Company appointed an investor relations officer?[2] | X | |
|---|---|--|

(1) The Internal Control officer (ex art. 9.3 of the Code) is the Group Chief Audit Executive.

(2) Investor Relations Officer: Elisabetta Vilizzi – Viale Certosa, 247 – 20151 Milano <investor.relations@indesit.com>

PART TWO

Implementation of the provisions of the Code

1. Board of directors

1.1 Role and composition

The Board is the central body in the Company's governance system, being responsible for defining the strategic management policies of the Company and the Group and defining, applying and updating the rules of corporate governance in observance of current legislation.

The Board:

- reviews and approves the Company's and the Group's strategic, industrial and financial plans (annual budget, medium term plan (MTP)", industrial plan) drawn up by the CEO;
- periodically checks the adequacy of the organization⁹, administration and general accounting structures of the Company and its strategic subsidiaries¹⁰, as put in place by the CEO, and with special regard to the internal control system and management of conflict of interest;
- examines and approves in advance transactions defined as "significant" on the basis of the internal procedure providing such transactions, with special reference to situations in which one or more directors have interests on their own account or on the account of 3rd parties and in general to transactions with related parties (on this point, see the next section hereunder);
- supervises the ordinary course of business, with special reference to information from the executive directors and the ICC, and carries out regular reviews of actual against programmed results;
- reviews and approves the Company's corporate governance system and the Group's ownership structure;
- is responsible for the internal control system; it defines its guidelines so that the main business risks facing the Company and the Group are being properly identified, measured, monitored and managed; it establishes criteria for assessing the compatibility of such risks with sound business management and periodically checks that the internal control system is operating adequately and effectively;
- makes an assessment of the Board itself and its committees, at least once a year, in terms of size, composition and functioning and if necessary suggests professional categories it thinks should be represented on the Board;
- confers and revokes powers assigned to executive directors and defines the limits, procedures and frequency (usually at last quarterly) with which such directors must report to the Board on activities carried out in exercising the powers conferred to them;

⁹ The organizational structure is also assessed in relation to the results of the annual *Human Resources Review* by the HRC, on which its chairman reports to the Board (plenary meeting). Regarding 2009, the assessment was carried out in the HRC meeting on 5/5/2010; the HRC chairman reported to the Board on 11/2/2010.

¹⁰ Meeting on 26th October 2006, the Board identified the following (direct or indirect) subsidiaries as "strategically relevant": CJSC Indesit International, Indesit Company Polka sp.zo.o. and Indesit Company Uk Ltd.

- fixes the remuneration of executive directors and those of them with special tasks, as per art. 2389, clause 2, Civil Code, the division of the total amount of remuneration amongst the individual members of the Board and incentive and retention plans for the Group's top management, as proposed by the HRC after consulting the Statutory Auditors;
- pursuant to Investor Protection Law, makes sure that the DP has suitable powers and resources for carrying out the tasks assigned to him under the provisions of the TUIF and that administrative and accounting procedures are being properly implemented.

The Board currently in office was appointed by the shareholders' Meeting on 3 May 2007¹¹ and is composed by thirteen directors¹², whose term of office expires with the approval of the financial statements as of 31 December 2009. The Board appointed three of its number as executive directors, who are invested, in accordance with the by-laws, with the powers contemplated in art. 2381, Civil Code; they are: Vittorio Merloni (chairman), Andrea Merloni¹³ (vice-chairman) and Marco Milani (CEO). The remaining ten directors are non-executive, some of whom are independent: Bruno Busacca (independent), Innocenzo Cipolletta (independent), Adriano De Maio (independent also pursuant to art 148, clause 3, TUIF), Luca Garavoglia (independent also pursuant to art 148, clause 3, TUIF), Mario Greco (independent), Hugh Malim (independent), Emma Marcegalia (independent), Antonella Merloni, Maria Paola Merloni¹⁴ and Paolo Monferino (independent).

Career profiles of IndesitCo directors and a list of posts they held as of 31 December 2009 in other listed, financial, banking or insurance companies or other large concerns, are detailed in Annex 2.

Further information on the members of the Board can be found in Annex 3.

The Meeting called to approve the financial statements at 31 December 2009 must also appoint a Board for the three-year period 2010-2012 pursuant to art. 14 of the by-laws.

* * * * *

The Board¹⁵ decided that five administration or control posts in other listed companies should be the maximum considered compatible with effective performance as a company director (the same limit set in the by-laws for the Company's statutory auditors). All the directors are currently within said limit.

A majority of the Board (eight out of thirteen) are independent directors, who under the Company's rules of governance are so deemed because:

- a) they do not control the Company either directly or indirectly or through subsidiaries, fiduciaries or other intermediaries and are not able to exercise any considerable influence over it and do not participate in shareholders' agreements through which one or more subjects may exercise control or considerable influence over it;

¹¹ On the basis of a list submitted by the shareholder Fineldo S.p.A. in the 15 day period prior to the date of the Meeting.

¹² The by-laws require the board to be made up of from 5 to 13 directors.

¹³ A board meeting in May 2007 had assigned a non-executive role to Andrea Merloni, whereas on 30 April 2008 it appointed him vice-chairman empowered to act in place of the chairman. Meeting on 11 February 2009, the Board invested Andrea Merloni with certain powers to carry out operations of strategic importance under joint signature with the chairman or CEO and appointed him as executive director in charge of overseeing the internal control system.

¹⁴ Following the standing down of Ester Merloni, Maria Paola Merloni was co-opted as a director by the Board meeting on 30 July 2008 and subsequently appointed director by the Shareholders' Meeting on 29 April 2009.

¹⁵ Meeting on 26 October 2006.

- b) they are not, nor in the last three years have been, major exponents¹⁶ of the Company or of any of its strategically important subsidiaries or of any company under joint control with same or of a company or network which, also through a shareholders' agreement, controls the Company or may exercise considerable influence over it;
- c) they do not have, nor in the previous year had, any significant commercial, financial or professional relationship, either direct or indirect (eg. through subsidiaries or companies of which they are major exponents or as partners in a professional practice or consulting firm), with:
 - the Company, any of its subsidiaries or any of their major exponents;
 - with any subject which, even with others through a shareholders' agreement, controls the Company or, in the case of a company or other organization, with its major exponents;
- d) they are not, nor have been in the previous three years, employees of any of the aforementioned subjects;
- e) they do not receive, nor in the last three years have received, from the Company or any of its subsidiaries or parent company any significant additional remuneration¹⁷ over and above their "fixed" emoluments as non-executive directors of the Company, which include participation in the Company's *performance-linked* incentive schemes, including stock options;
- f) they have not been Company directors for more than nine years out of the last twelve;
- g) they are not executive directors in any other company in which an executive director of the Company has a directorship;
- h) they are not partners or directors in any company or organization belonging to a network of the company retained by the Company to audit its accounts;
- i) they are not close relatives of any person who is in any of the circumstances indicated above.

Such requisites of independence were reviewed in Board meetings on 26 March 2009 and on 25 March 2010 on the basis of documentation provided by the independent directors themselves. In particular, the Board decided that business between the Group and Gruppo Marcegaglia did not affect the independence of Emma Marcegaglia.

In 2009 there were five meetings. Attendance by directors was very regular¹⁸. At least five meetings have been scheduled for 2010¹⁹. Board meetings (each lasting over two and a half hours) are planned on the basis of a calendar approved at the beginning of each year, to facilitate maximum participation²⁰.

Directors and Statutory Auditors are provided with documentation and information well in advance of board meetings so that they have enough time to review the matters requiring their analysis and approval. Major transactions are usually dealt with in more than one board meeting.

¹⁶ "Major exponent" of a company or other organization means chairman, legal representative, chairman of the board of directors, executive directors or managers with strategic responsibilities.

¹⁷ The Board has defined as "significant" remuneration in addition to fixed emoluments any amount in excess of a) three times total annual remuneration (including fees for attending committee meetings) or b) €200,000 a year. In the case of stock option plans, the date of allocation of the options is taken into consideration, if exercised, for the purpose of evaluating the three-year period.

¹⁸ 78.5% overall attendance, 75% by independent directors.

¹⁹ Two have been held as of the date of this Report.

²⁰ The dates of meetings called to approve quarterly results are also posted on the Website.

On 29 October 2009, the independent directors held their annual meeting, in which they discussed matters deemed of relevance to the working of the Board and management of the Company, and in particular the advisability of assessing the performance of the Board by means of self-assessment tests.

Meeting on 29 October 2009, the Board decided to engage an independent 3rd party to assess the activities of the Board itself²¹. In previous years, on the other hand, the Board had opted for a system of self-assessment in which the chairman of the Statutory Auditors reported on such testing on an aggregate and anonymous basis.

In line with the Company's commitment to excellence in corporate governance, assessment by the independent 3rd party, the results of which were presented at a board meeting on 11 February 2010, helped judge the correctness, diligence and degree of participation by directors in Board decisions, ie. elements of governance which are often lacking and may turn a board into a mere tool of ratification of decisions made by executive directors and/or the controlling shareholder. Such activity also enabled the Board to hear some practical suggestions on how to optimise the effectiveness of its operation.

The results confirmed the extremely positive judgement that all the directors, and especially the independent ones, had expressed regarding the structure and operation of the Board, the role and impact of non-executive and independent directors in meetings of both the Board and its committees, and the promptness and thoroughness of disclosures to the market.

Meeting on 25 March 2010, the Board also reviewed the Group's organizational, administrative and general accounting structures. The Board judged the Group's structure to be adequate for achieving the objectives it has set itself. In carrying out such analysis, the Board was supported by the ICC and the Statutory Auditors, which in 2009 visited the main organizational structures, having already visited the strategically important subsidiaries and other subsidiaries of significant size or importance²² in 2007 and 2008.

As required in the "Procedure for compliance with art. 150, clause 1, TUIF" (notices to the Statutory Auditors), the CEO reports on a quarterly basis to the Board and the Statutory Auditors on the exercise of delegated powers, providing sufficient information on transactions and in particular on any that are atypical or unusual.

Lastly, the Board reports to Shareholders' Meetings through the Chairman.

1.2 Board of Directors' powers (including those relating to significant transactions and transactions with related parties).

In addition to the responsibilities attributed exclusively to it under art. 2381, Civil Code, and the by-laws, the Board reserve the following powers exclusive to itself²³:

- acquisition, sale or other transactions that in any way affect the availability of investments

²¹ Assessment of boards of directors has become a consolidated element of corporate governance in the United States, partly as a result of the reaction to the financial scandals that led to the Sarbanes-Oxley Act. The practice is promoted in Italy by the Code.

²² See section 8.

²³ Over the 3-year period, the Board modified both the powers initially (May 2007) reserved to it and those attributed to the Chairman, Vice-chairman and CEO. Such modifications were voted on 11th February and 30th July 2009.

included under non-current financial assets or companies or business unit, properties and/or other assets/investments stated under non-current assets if the value of a single operation exceed €25 million;

- application to banks and insurance companies to underwrite in the name of the Company personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) for periods of 18 or more months and in excess of €50 million;
- underwriting/issue in the name of the Company of personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) for periods of 18 or more months and in excess of €50 million if the country risk is higher than EU level;
- contracting loans (in whatever form) for periods of 18 or more months in amounts in excess of €50 million;
- approving and underwriting other transactions with Related Parties other than Group companies when the value of the deal exceed €2 million or aggregate €10 million annual or that produces an economic impact of more than €1 million in the Group's consolidated income statement;
- disbursement of gratuitous grants to initiatives of a cultural, artistic, social or humanitarian nature or to political groupings and/or individual politicians of over €50,000 per contribution.

2. The Chairman

2.1. The role of the chairman

The Chairman is the legal representative of the Company and in its relationships with institutions and the media. He promotes the Company's corporate image and makes sure that programmes under implementation sufficiently protect such image. The External communication and Press Office, the legal and corporate affairs department (just for corporate affairs) and the Internal audit report to him. He draws up the agenda for board meetings, which he calls and chairs, and makes sure that directors are informed in advance of the items on the agenda and reviews and approves all the documentation to be sent to participants. Further, the chairman:

- defines Group strategies, together with the CEO, to be proposed to the Board and approves the CEO's operating plans, being constantly updated by periodical meetings with top management on the Company's business performance and the state of employees (also through meetings in Company sites);
- participates in the selection of new personnel for posts reporting direct to the CEO;
- is consulted by the CEO ahead of any creation, modification or elimination of organizational posts reporting directly to the CEO;
- defines and shapes the long-term strategies within which medium term plans (MTP) are developed by the CEO and management team;
- ensures that the Group operates in compliance with the law and relevant ethical and moral standards and is run on sound principles of conservative accounting/administration; he is assisted in this respect by the internal audit function on his staff;

- ensures that directors participate in initiatives designed to deepen their knowledge of the Company and its business, including relevant legislation, so that they can fulfil their tasks more effectively.

Up to 11 February 2009, the Chairman was the executive director in charge of overseeing the operation of the internal control system. The Board has since assigned said role to the vice-chairman.

2.2. The Chairman's powers

Meeting on 3 May 2007, the Board conferred to the Chairman certain powers (under sole signature) relevant to the corporate and strategic responsibilities associated with his role. To bring the Group's governance system in line with international best practice, the Board subsequently decided on 11 February and 30 July 2009, to invest in any two amongst the Chairman, Vice-chairman and CEO, the power to sign under joint signature in the name and on behalf of the Company all deeds connected with the aforesaid extraordinary transactions of strategic importance, viz:

- acquisition, sale or other transactions that in any way affect the availability of investments included under non-current financial assets or companies or business unit, properties and/or other assets/investments stated under non-current assets if the value of a single operation is less or equal to €25 million
- application to banks and insurance companies to underwrite in the name of the Company personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) for periods of 18 or more months and in excess of €50 million;
- underwriting/issue in the name of the Company of personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) for periods of 18 or more months and the value of a single operation is less or equal to €50 million if the country risk is higher than EU level;
- contracting loans (in whatever form) for periods of 18 or more months in amounts less or equal to €50 million;
- approving and underwriting other transactions with Related Parties other than Group companies when the value of the deal is less or equal to €2 million or aggregate €10 million annual or that produces an economic impact of less than €1 million in the Group's consolidated income statement.

Lastly, the Chairman is empowered, under single signature, to make disbursements of gratuitous grants to initiatives of a cultural, artistic, social or humanitarian nature or to political groupings and/or individual politicians less or equal to €50,000 per contribution.

The Chairman is also invested with powers of management and administration in order to act as a back up to the CEO and prevent a management "vacuum" should the CEO be unable to fulfil his duties.

3. The Vice-chairman

Meeting on 30 April 2008, the Board appointed Andrea Merloni Vice-chairman of the Company with

powers to replace the Chairman under the terms of the by-laws.

Meeting on 11 February 2009, the Board assigned to the Vice-chairman the role of executive director in charge of supervising the internal control system.

In this capacity, the Vice-chairman:

- identifies and regularly reports to the Board on the main business risks in relation to the Company's and Group's activities;
- implements guidelines defined by the Board by providing for the design, implementation and management of the internal control system and by constantly monitoring its overall adequacy, effectiveness and efficiency;
- oversees adjustment of such system to actual operating conditions and new legislative and regulatory developments;
- makes proposals to the Board for the appointment, revocation and remuneration of one or more internal control officers.

Also on 11 February 2009, the Board empowered the Vice-chairman to sign, jointly with the Chairman or CEO, all documents relating to extraordinary transactions of strategic importance. Meeting on 30 July 2009, the Board invested Andrea Merloni – without prejudice to his powers to replace the Chairman - with certain powers to be exercised under single signature, including the following:

- sign, extinguish and modify bank/post office current account relationships in euros or other currencies – also before the expiration and through settlement of any penalties or other – and define all the conditions, including current account overdraft terms and underwrite the relevant documentation;
- sign, extinguish and modify short-term borrowing (eg.: loans, credit facilities, import and/or export credit) -in euros or other currencies – also before maturity and through settlement of any penalties or other – and define all the conditions, including current account overdraft terms and accessory services and underwrite the relevant documentation;
- sign, extinguish and modify transactions involving hedging contracts on exchange interest rates and goods within treasury policy limits, also before the expiration and through settlement of any penalties or other;
- sign, modify and extinguish factoring agreements – also before maturity and through settlement of any penalties or other – and define all the conditions and sign the relative documentation;
- maintain relationships with standards organizations, consumer groups and patent and trademark offices (both Italian and foreign) in connection with research and design of products in compliance with standards on various markets (including European ones) and providing for the registration, maintenance and transcription of rights in favour of the Company or 3rd parties of trademarks and patents at all the national or foreign patent institutes in the relevant countries;
- apply to banks and insurance companies to underwrite in the name of the Company personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) for periods of 18 or more months and in amounts of up to or equal to €25 million;
- underwrite/issue in the name of the Company personal guarantees and/or collateral in favour of

3rd parties (excluding Related Parties other than Group companies) in the case of loans for periods of 18 or more months and in amounts of up or equal to €25 million if the country risk is the same as or lower than EU level;

- underwrite/issue in the name of the Company personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) in the case of loans for periods of 18 or more months if the country risk is higher than EU level;
- underwrite/issue in the name of the Company cash collateral for periods of under 12 months;
- contract, modify and extinguish loans (in whatever form) for periods of 18 or more months in amounts up or equal to €25 million provided there are no financial covenants or if the covenants are the same as those already contained in transactions already underwritten by the Group;
- contract, modify and extinguish loans (in whatever form) for periods under 18 months.

4. Chief executive officer

The CEO is responsible for the operating management of the Company. The Board has invested in the CEO all the powers needed for direction and administration of the Company except those reserved exclusively to the Chairman, Vice-chairman or Board. In particular, the CEO:

- proposes business strategies and collaborates with the Chairman on their definition;
- participates in the detailed definition of long term vision;
- defines operating plans and takes full responsibility for the achievement of management and economic-financial objectives, taking prompt corrective action whenever performance falls below expectations;
- directs and co-ordinates all business functions, ensuring, through rapid and simple decision making processes, that they are fully efficient and compatible with Company strategies;
- implements resolutions adopted by the Board;
- ensures that the Company is run as efficiently and transparently as possible;
- ensures that the Company is managed on sound accounting principles and that robust control and monitoring systems are in place;
- ensures compliance with the law on treatment of personal data (legislative decree 196/2003 and subsequent amendments and additions);
- ensures compliance with the law on product safety;
- ensures compliance with environmental and workplace safety legislation;
- ensures maximum protection of the Company's human and economic assets;
- updates the Chairman on business performance and transactions in progress;
- he also has the following operating powers:
 - apply to banks and insurance companies to underwrite in the name of the Company personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) for periods of 18 or more months and in amounts of up or equal to €25 million;
 - underwrite/issue in the name of the Company personal guarantees and/or collateral in favour

- of 3rd parties (excluding Related Parties other than Group companies) in the case of loans for periods of 18 or more months and in amounts of up or equal to €25 million if the country risk is the same as or lower than EU level;
- underwrite/issue in the name of the Company personal guarantees and/or collateral in favour of 3rd parties (excluding Related Parties other than Group companies) in the case of loans for periods of 18 or more months if the country risk is higher than EU level;
 - underwrite/issue in the name of the Company cash collateral for periods under 12 months;
 - contract, modify and extinguish loans (in whatever form) for periods of 18 or more months in amounts up or equal to €25 million provided there are no financial covenants or if the covenants are the same as those already contained in transactions already underwritten by the Group;
 - contract, modify and extinguish loans (in whatever form) for periods under 18 months;
 - stipulate short-term borrowing agreements within the limits set by the Group's *Treasury Policy*;
 - acquire, sell or carry out other transactions that in any way affect the availability of equity investments included under non-current financial assets or of companies or business units or properties where the value of a single operation is up or equal to €10 million;
 - acquire, sell or carry out other transactions that in any way affect the availability of assets/investments included under non-current assets where the value of a single operation is up or equal to €25 million;
 - sign, renew or terminate property leasing agreements as defined in the accounting standards applicable to the Consolidated Financial Statements.

By virtue of the powers invested in him by the Board on 11 February 2009, he may also, jointly with the Chairman or Vice-chairman, sign documents relating to extraordinary transactions of strategic importance.

In his capacity as the director charged with drawing up the Company's accounting and legal documents, the CEO certifies, along with the DP, the adequacy and effective application of the procedures provided for in the TUIF and the correspondence of such documents with the accounting records and their suitability for providing a truthful and accurate picture of the Group's financial position and cash flow situation.

5. The Human Resources Committee

The Committee is composed of three directors, in office since 30 July 2008:

- Mario Greco (HRC chairman and independent director);
- Maria Paola Merloni;
- Paolo Monferino (independent director).

The HRC performs the functions provided for in the Code for the Remuneration Committee and other more onerous tasks assigned to it on its appointment by the Board.

The HRC:

- makes recommendations to the Board regarding the remuneration of executive directors and directors holding special posts;
- makes recommendations, as proposed by the CEO, on the remuneration of the top managers of the Group (the committee is engaged in continual monitoring and review of the remuneration systems adopted, particularly those involving variable factors and medium-long term incentives);
- periodically reviews the criteria used for remuneration of managers with strategic responsibilities, monitors their application on the basis of information provided by the directors and makes general recommendations to the Board on such matters;
- monitors the state of the organization and management development plans and suggests any action to take;
- in addition to the tasks assigned to it upon appointment, it may make recommendations and provide opinions enabling the Board to make decisions on other aspects of the development of the Group's human resources.

The HRC met three times in 2009 (100% attendance by committee members), though its activities were also carried on in numerous informal meetings and phone meetings. The main issues discussed in these meetings were:

- assessment of the Group's performance in 2008 and of any attainment of the corporate objectives in the 2008 MBO and 2006-2008 long-term incentive plan;
- definition of the incentive scale for executive directors' and top management's MBO for 2009;
- assessment of the new long-term retention plan for the management.

In particular, the HRC was engaged in the management of the incentive plans, given the difficulty of defining MBO targets in a period of acute crisis on the markets and the need to renew the long-term incentive plan. It also reviewed the rules for the new incentive and retention plan regarding a select number of Group managers and the MBO Plan policy, making suggestions according to the international best practice.

In January 2009, the HRC carried out its annual assessment of the adequacy of the organizational structure and of the management succession plans within the framework of the *Human Resources Review*. The latter is an annual activity involving the Chairman, Vice-chairman, CEO and the Group's top management and focussing on management development and turnover plans and reviewing of the adequacy of the workforce to pursue the Group's current and future objectives.

To properly align the executive directors' remuneration with the medium-long term interests of the shareholders and the objectives set by the Board, the HRC always accompanies its proposals for performance-linked remuneration with comments on the related objectives and evaluation criteria.

The HRC has an annual budget for the carrying out of its activities and engages consultants to provide information on market standards for remuneration systems. The HRC may invite Group executives, operating area managers and executive directors to its meetings when deemed necessary in connection with the items on its agenda.

The HRC has a set of internal rules, requiring, among other things, quarterly meetings (at least) and the drawing up of minutes of meetings.

6. Appointment of directors and remuneration of directors and top management

6.1. Appointment and remuneration of directors

In compliance with the Investor Protection Law, the Shareholders' Meeting called to approve the financial statements at 31 December 2006 wrote into the by-laws (art. 14) a provision for list voting of directors and the obligatory filing of lists 15 days before the date of the meeting²⁴.

The Company does not have an Appointments Committee because the shareholders have never had any difficulty in producing lists of candidates independently. Prior to the appointment of the Board now in office, the majority shareholder short-listed candidates, making sure that they possessed the competencies and professionalism required for the post and that the Board would have a sufficient number of independent directors. The appointment of the Board to be made by the Shareholders' Meeting called to approve the financial statements at 31 December 2009 will be on the basis of lists submitted by the shareholders and if more than one list is submitted, a director will be elected by the first of the lists not connected to the majority list.

If the Shareholders' Meeting authorizes a waiver from competition rule of the art. 2390, Italian Civil Code, the Board looks at the merits of each potential problem and signals any critical points at the next useful meeting.

If the Shareholders' Meeting authorizes a departure from the prohibition against competition in art. 2390, Italian Civil Code, the Board looks at the merits of each potential problem and signals any critical points at the next useful meeting.

Under the by-laws regarding remuneration, directors are not only entitled to reimbursement of their expenses but also to fees pursuant to art. 2389, Civil Code.

Directors' remuneration is high enough to attract and motivate people with the qualities and capabilities needed to run the Company successfully but the remuneration of non-executive directors is geared specifically to the work each of them does, including participation in committees, and has no bearing on the financial results of the Company or the Group. On 3 May 2007, the Board determined the division of the overall emoluments of board members, since the Meeting, on appointing the Board, only indicated the amount due to the entire Board.

Each director is paid an attendance fee (€10,000) for each board meeting he or she attends. Directors sitting on the HRC and ICC receive an extra €20,000 a year, while the chairmen of such committees receive an annual €25,000. Directors of the ITC receive a fee of €5,000 for each committee meeting (with a maximum of €10,000 a year). From 2009 on, this fee is only due to the non-executive directors of the ITC.

6.2. Remuneration of executive directors and top management

A significant portion of the remuneration of executive directors (Chairman, Vice-chairman and CEO)

²⁴ This replaces the previously consolidated practice whereby the Board, in its report on the matters on the agenda at the Shareholders' Meeting, invited shareholders to file lists of candidates (with CVs) at least ten days before the meeting.

and top managers of the Group²⁵, depending on positions and roles, is in the form of emoluments tied to achievement of financial results by the Company and/or attainment of individual targets (bonuses or variable incentive systems) so that their interests are aligned with shareholders' medium/long-term interest in the pursuit of the priority objective of creating value.

Top managers, in particular, participate in an MBO (Management by Objectives) plan involving a bonus that varies between 30% and 50% of fixed gross annual remuneration. The objectives fixed by the MBO for top managers are usually tied to business objectives identified by the HRC as advised by the CEO, while for other beneficiaries they vary from function to function and in any case include business performance indicators and personal assessments²⁶.

Starting from 2009, a selected number of managers participates in a new long-term retention plan based on the accumulation of a sum equal to the MBO paid out annually: a third of the amount accrued is then paid out starting with the third year of the plan, and so on from year to year so long as the manager beneficiary remains in the Group. It should be possible, in this way, to achieve the objective of retaining within the Group the skills developed by key managers over the course of the years.

Regarding the remuneration of executive directors, the Board, having consulted the HRC and the Statutory Auditors, fixes their emoluments upon appointment, while on approving the Consolidated Financial Statements for each year it checks whether annual objectives have been achieved and fixes the incentive scale for the new year. In particular, the executive directors participated in a three-year plan (maturing on approval of the Consolidated Financial Statements for 2009) tied to achievement of the Group's EBIT targets fixed in 2007. This plan did not lead to any pay outs to beneficiaries, as the objectives were not achieved.

The emoluments paid to directors are detailed in a table attached to the Consolidated Financial Statements and Separate Financial Statements, while the remuneration paid to directors with strategic responsibilities is indicated on an aggregate basis.

Since 2004, the variable part of the CEO's remuneration has also been tied to these parameters.

6.3. Stock option plans for Group company employees (managers and middle managers)

The Company was one of the first listed companies to adopt stock options for the purpose of integrating its remuneration system with an instrument which, through creation of value over time, acts as an incentive to staying in the Group in the medium/long term. Such stock options may be offered to:

- directors holding special posts;
- managers and middle managers.

All the stock option plans for directors have already terminated, while in the case of managers and middle managers no new allotments have been made since 2003. The Separate Financial Statements and Consolidated Financial Statements have a table detailing the stock option plan for executives and

²⁵ Direct reports of the CEO.

²⁶ The MBO is disciplined by procedures, applied across the entire Group, for defining, booking and settling incentives.

middle managers over the years.

Further details on stock option plans may be found in previous corporate governance reports.

7. The Internal Control System

7.1. Introduction

The ICS is a set of rules, procedures and organizational structures (involving the Board, management and individual operators in the Company) designed to identify, measure, manage and monitor the main business risks to ensure sound conduct of business in line with pre-established objectives and provide all stakeholders with reasonable certainty as to the achievement of said objectives. Effective internal control thus helps to defend the Company's assets and ensure the efficiency and effectiveness of its business transactions, the reliability of its financial reporting and compliance with laws and regulations.

The ICS is in line with the most recent developments in governance and embodies the principles of the main international models. In particular, the Board is responsible for the ICS, providing it with guidelines and periodically checks that it is working properly, also with support from the ICC.

In the Report, the Board describes the main elements of the ICS and expresses a positive judgement, thus endorsing the assessments made by the ICC and the Statutory Auditors, regarding the effectiveness of the ICS in controlling business risks and monitoring the Group's economic and financial situation.

The ICS is based on the following three principles:

- univocality and centrality, which require:
 - a clear definition of the levels at which risk management and controls work, in other words the overall scope of the ICS:
 - 1st level – defining and managing the so-called “line controls” built into operating processes to minimize risks²⁷;
 - 2nd level – overseeing the process of management and control of risks attaching to operations to ensure coherence with business objectives and applying criteria of segregation to allow for effective monitoring²⁸;
 - 3rd level – providing independent assessments of the design and operation of the ICS as a whole through systematic and professional action²⁹;
 - an integrated and homogeneous approach to the management and assessment of aspects of the ICS design and operation, thus guaranteeing consistent judgement by all parties involved;

²⁷ Procedural, IT, financial and comportmental controls carried out by both the subjects engaged in a given activity and those responsible for supervising it. All business functions carry out such direct controls in the management of their responsibilities.

²⁸ This level includes the *Compliance* function (Legal & Corporate Affairs Dept.), the *Group Reporting Process* function (Group Accounting Dept.), which focuses on management and application of rules and procedures ensuring conformity to the Investor Protection law, the *Health&Safety Dept.* (set up within the Technical Dept. to ensure compliance with workplace health and safety standards in the Group), and the *Environment* function (Quality-Environment Dept.).

²⁹ This is done by *Internal audit*, a function with stringent requisites of independence and organizational autonomy.

- exhaustive and transversal risk assessment³⁰: this avoids the dangers of partial approaches to specific organizational fields or single legally relevant issues, thus covering significant critical situations across the whole organization;
- assurance mechanisms: these are required to ensure continual alignment of the System's design with the Company's governance and control requirements. Application of this principle presupposes independence of and separation between operating and control responsibilities, thus preventing potential conflict of interest between organizational functions and individual positions which might compromise integrated risk control.

The ICS's **main tools**, in addition to the system of assignment of powers, are the Code of Conduct³¹, the Organization, management and control Model pursuant to legislative decree 231/2001³² and various activities that verify the existence, adequacy and actual application of the administrative and accounting procedures needed to draft financial statements which the DP has to issue in accordance with Investor Protection law (also definable as the "Internal control system for financial reporting")³³.

7.2. Internal audit function and internal audit manager

In line with the definition of the "*Institute of Internal Auditors*", this function provides the Board, the executive director overseeing the operation of the ICS, the ICC and the Statutory Auditors with professional advice on maintenance and continual improvement of the ICS and assurance, based on checks and assessments, regarding the functionality, completeness and adequacy of the ICS.

This is 3rd level control and its operating phases may be summarized as follows:

- 1) assessment of risks characterizing business processes and operating units (*risk assessment*) and identification of areas most at risk and thence definition of control priorities (*annual audit plan*);
- 2) development of the *audit plan*, identification of critical issues and areas for improvement in 1st and 2nd level control and discussion on corrective action with operating management;
- 3) monitoring of timings agreed for implementation of corrective actions and its efficacy (*follow-up*);
- 4) review of the results of the audit activities outlined above with the CEO and his direct reports.

The Board assigns the duties of internal control manager (as defined in the Code) to the head of the *Internal Audit function (Chief Audit Executive)*, who is a member of the Chairman's staff (before 11 February 2009, the Chairman was the executive director overseeing the working of the ICS, while since that date it has been the Vice-chairman) and does not therefore report to the head of any operating department.

The internal control manager reports to the Statutory Auditors, the ICC (at least quarterly) and the executive director charged with supervising the ICS on activities carried out and therefore on risk management, compliance with risk management plans and assessment of the adequacy of the ICS

³⁰ Risk identification and assessment activities look at all events potentially capable of impacting on business results, such as maximization of revenues or margins, containment of costs, customer service, product quality, efficiency and promptness, and on governance objectives, such as safety, legal compliance, reliability of information, etc.

³¹ See section 15.

³² See section 15.

³³ See section 17.

itself.

Further, this manager:

- is charged with checking that the ICS is always adequate and fully operational;
- has direct access to all information needed to carry out the function properly;
- has the means (annual budget) and structures needed to carry out the function.

The board of directors appoints and fixes the remuneration of the internal control manager on the recommendation of the executive director charged with overseeing the operations of the ICS and having consulted the ICC.

In 2009, the main activities carried out by the Internal Audit function were as follows: (i) preparation of an update of the IndesitCo Model with a new mapping of company areas in light of the introduction of the new offences contemplated in legislative decree 231/2001 and revision of the Code of Conduct applicable to the entire Group; (ii) supporting the administration and finance department in testing activities related to the project to adapt to the Investor Protection law and the issue of an independent opinion on the validity of internal controls in financial reporting processes, (iii) carrying out of checks under the 2009 audit plan, covering, among other things, operating audits of Polish, Russian and Turkish plants, financial audits in the main markets where the Company operates and “*business ethics audits*” on certain subsidiaries, (iv) participation in an inter-departmental project to improve the disciplining of accesses to the SAP information system for the purposes of separation of tasks, and (v) co-ordination of meetings between internal control bodies (ICC and the Statutory Auditors) and the managements of strategic subsidiaries, preparation of visits and reporting on results.

8. Internal Control Committee

The ICC has three members, who are non-executive directors:

- Hugh Malim (chairman and independent director).
- Innocenzo Cipolletta (independent director);
- Antonella Merloni (director).

The Board deems that all the members of the committee have significant experience in the fields of accounting and finance, said experience being held adequate for the roles the ICC is called upon to provide.

The ICC has the following functions:

- 1) it performs checks on the internal control system in line with the strategies adopted by the Board and in this context it also proposes modifications to the system;
- 2) it evaluates the work plan drawn up by the Internal Audit department, from which it receives periodical reports;
- 3) it evaluates bids from account companies, their audit plans and the results presented in their reports and recommendations;
- 4) it monitors the efficiency of the audit system;
- 5) together with the DP and independent auditors, it evaluates use of the accounting standards adopted and their consistency for the purposing of drafting the Consolidated Financial Statements;

- 6) during the approval stage of interim and annual financial statements, it reports to the Board on its activities and on the adequacy of the ICS.
- 7) it formulates recommendations and opinions to submit to the Board to assist it in its decisions;
- 8) upon request of the relevant executive director, it expresses opinions on aspects pertaining to the identification of the main business risks and the design, development and operation of the ICS.
- 9) it periodically assesses progress on audit activities with respect to the plan, thus providing constant monitoring of and guidance for such activities and collects all the information needed to assess the ICS.

Through the ICC, the Board thus ensures that its assessments and decisions regarding the ICS, approval of financial statements and interim reports and relationships between the Company and its independent auditors are supported by adequate preliminary work.

In adopting the Code, the Board decided not to attribute to the Statutory Auditors any of the functions attributed to the ICC. Given the complementary nature of the functions assigned by law to the ICC and the statutory auditors, such bodies often have joint meetings.

The ICC's tasks are set forth in the resolution that appoints the Committee and the Board approves an annual budget providing the Committee with the resources needed to carry out such tasks.

The ICC operates in accordance with internal rules which provide that, among other things:

- the ICC votes on an absolute majority basis, the chair of the ICC having the casting vote in ties;
- the chairman of the Statutory Auditors (or other statutory auditor if the chairman is unavailable) is invited to all its meetings;
- the CEO is invited to meetings in relation to matters on the agenda;
- minutes of meetings are kept in an authenticated register.

Invited by the chair of the ICC and in relation to the items on the agenda, Group managers and representatives of independent auditors may take part in the ICC's meetings. For the purposes of its functions, the ICC has full access to information and business functions needed for the carrying out of its tasks, for its purposes it may also hire external consultants within the limits of the approved annual budget. In 2009, the ICC met five times (attendance was 93%) and its work included, among other things, reviewing the Internal Audit's annual plan and recommending control activities.

It should be noted that since 2007 the ICC was engaged, with the Statutory Auditors, in reviewing the organization and functioning of the Group's ICS by visiting significant Group subsidiaries. During its visits to meet local managements, the ICC and the Statutory Auditors were able to check the state of the organization, the expertise of local management and the strong ties between overseas and corporate structures.

Both bodies expressed a favourable opinion of the administrative, accounting and control structure and its adequacy with respect to the Group's objectives.

The ICC's tasks will be redefined in 2010 in view of the coming into force of Italian legislation enforcing Community Directive 2006/43/EC on the legally required audit of accounts.

9. Transactions with related parties

In March 2003, the Board approved a procedure based on principles of conduct already adopted as standard practice by the Company regarding transactions with related parties³⁴. Such principles may be summarized as follows:

- the Board approves transactions with Related Parties falling within the defined parameters;
- the Board is provided with the necessary information on the nature of the correlation, the type of operation, the terms (including economic) under which it is to be transacted, the evaluation procedure to be adopted, the underlying interest and motives and any risks for the Company (if the correlation is with a director or a party related through a director, said director supplies the necessary clarification);
- depending on the nature, value and other characteristics of the operation and in order to prevent transactions from being carried out under inappropriate conditions, the Board may consult one or more experts on the economic conditions and/or legality and/or technical aspects of the operation (consultants are chosen on the basis of proven professionalism and expertise and rigorously screened in terms of independence and absence of conflict of interest).

In the case of transactions with related parties, including transactions with Group companies not subject to Board approval (excepting typical or normal transactions covered by the Company's Transfer Pricing Policy), the executive directors or managers in charge of performing the operation collect and register the necessary information on the nature of the correlation, the type of operation, the terms (including economic) under which it is to be carried out, the evaluation procedure to be adopted, the underlying interest and motives and any risks for the Company. Here too, one or more experts may be appointed to advise on such transactions.

As required by the "Procedure for compliance with art. 150 TUIF", the executive directors provide the Statutory Auditors with information (when and in the manner indicated in said procedure) on transactions with related parties transacted by executive directors or Company departments or subsidiaries within their spheres of action. The Company's Transfer Pricing Policy is used to determine transfer prices for finished products and services traded between Group companies, in line with the relevant legislation.

Details of transactions with Related Parties transacted in 2009 can be found in the notes to the Separate and Consolidated Financial Statements.

10. Treatment of confidential information

Disclosure to the public domain of documents and information regarding the Company and the Group, and especially Privileged Information is disciplined by a procedure approved by the Board (the first version was approved in March 2001 and the last modification was made in the Board meeting on 26

³⁴ As identified in IAS 24.

March 2009)³⁵.

The executive directors are charged with the task of making sure that such information on the Company and Group companies is complete, accurate, clear and transparent and communicated in a timely manner, on an ongoing basis and as widely as possible. Communication of such information to the outside world is organized by the External Communication and Press Office function in the manner indicated in the aforesaid procedure.

The External Communication and Press Office function is in continual liaison with the finance and legal departments to i) ascertain whether a given piece of information is price sensitive for the intents and purposes of current law or if it in any case makes disclosure of facts or news necessary, and ii) if necessary, prepare a press release.

The texts of press releases are drafted on the basis of press release formats approved by Borsa Italiana S.p.A.. Approved communications are then released onto the NIS (Network Information System) circuit and published on the Site in the manner required by the relevant legislation.

The procedure authorizes the chairman and CEO to make public the following:

- a) information on quantitative forecasts and targets relating to business performance;
- b) provisional accounting figures and preliminary results for the period to be presented in the Group Consolidated Financial Statement, Separate Financial Statement, interim and quarterly reports as soon as such data is sufficiently certain and thus even before approval by the Board if no board meeting has been planned for the date the figures are to be disclosed.

In such cases, the Chairman or CEO will give the directors and Statutory Auditors prior notice of the contents of said disclosures as and when they deem fit (except in cases where there are particular reasons for prompt disclosure to the market and/or there is a risk of a leak).

Directors and department managers and all other persons with material access to news and documents concerning the Company in the course of their duties are under obligation to keep such data confidential and to use them exclusively for the performance of their duties³⁶. They must not abuse their privileged access to information, which is prohibited by current legislation, and are under obligation to abide by the procedure for disclosure of such documents and information.

Regarding internal management of Privileged Information, the Company introduced a series of procedures to protect all the internal systems that generate consolidated accounting and management information. All subjects who have or may have access to such systems are recorded in the "Register created on 23 March 2006 pursuant to the provisions of law on market abuse"³⁷.

IndesitCo is committed to ensuring that everyone who accesses (or may access) Privileged Information is aware of their legal and regulatory obligations (and relative sanctions) and above all the rules of corporate governance relating to Privileged Information. To this end, a special disclaimer is handed or read out to participants before all meetings involving the management.

³⁵ Said procedure assimilates the principles set forth in "Guida per l'informazione al Mercato" (Guidelines for disclosing information to the market), published by Borsa Italiana S.p.A. in June 2002, and the modification introduced by the Market abuse rules is available to the public on the Website.

³⁶ As required in section 4 of the Code.

³⁷ EC directive 2003/6, art. 6 par. 3 clause 3 and art. 115-bis TUIF.

11. Internal Dealing

Meeting on 23 March 2006, the Board adopted a procedure³⁸, as of 1 April 2006, disciplining disclosure to the market of transactions involving IndesitCo securities by “Relevant Persons” of the Group³⁹.

Seeing the market’s appreciation of the previous Code of Conduct on Internal Dealing⁴⁰, the Board adopted an internal code of conduct maintaining the so-called *blocking periods* and recommends that transactions involving financial instruments issued by IndesitCo (or those linked thereto) be carried out during the so-called *window periods* (from the third to the twentieth business day following Board meetings that review and approve accounting figures of the period). Said code specifically addresses to directors, Statutory Auditors, persons reporting direct to the CEO and other managers identified by the CEO.

12. Relations with shareholders

12.1. Investor Relations Manager

To establish ongoing dialogue with institutional investors, other shareholders and the market in general and to guarantee systematic publication of extensive and timely information on its activities, the Company some years ago appointed a Group Investor Relations Manager.

Financial communication plays a prime role in IndesitCo in the process of creating value for the Group, and in fact the Company fosters a continual flow of information with the financial community and the market. The Group Investor Relations Manager reports to the Group Chief Financial Officer and works in compliance with the procedure for disclosure to the market and international best practice. Relationships with shareholders are managed by the Group Investor Relations manager, who is assisted by various Company functions (esp. the admin. and finance and legal and corporate affairs departments).

Financial communication procedures are based on constant contacts with financial analysts, institutional investors and shareholders in order to guarantee full and correct perception of strategic decision making and the implementation and impact of such developments on business results.

In 2009, IndesitCo dedicated numerous working days to meetings with analysts and institutional investors, the main ones being:

- four conference calls on publication of the interim figures;
- numerous meetings with investors and analysts in Milan, London, Paris and Frankfurt (involving over 250 people);

³⁸ Pursuant to art. 114, clause 7, TUIF, and art. 152-octies, clause 8, Issuer Regulations. Said Procedure is available to the public on the Website.

³⁹ Meaning company directors, statutory auditors and managers who by virtue of the positions they hold have access to Privileged Information and have the power to take management decisions that may affect the Group’s development and prospects.

⁴⁰ In order to respond more closely to the interests of the market, said Code contained provisions that were more stringent than those issued by Borsa Italiana, such as: blocking periods for acquisition of securities, extension of the obligation of disclosure of documents proving exercise of stock options, prohibition of short-term operations and short selling in particular, obligation to provide timely information on trading operations worth half the ceiling set by Borsa Italiana, obligation to provide quarterly information on operations by Relevant Persons up to half the ceiling set by Borsa Italiana.

- participation in three European conferences organized by Italian and non-Italian brokers;

In 2005, IndesitCo introduced the so-called “*black out periods*”. In the seven business days prior to approval (and subsequent disclosure to the market) of financial statements, the Company does not authorize any director, executive or employee of the Group to make public any data, news or forecasts concerning the Company’s economic or financial performance or its reference market. The start and end dates of each black-out period are posted on the Website.

It has been standard practice for years now, at Shareholders’ Meetings to approve the Company’s financial statements, for the CEO to report on activities carried out, while the chairman illustrates the Group’s values and prospects from the point of view of the shareholders.

12.2. Website

The Company has also seen fit to enhance dialogue with shareholders by suitably upgrading its website (www.indesitcompany.com), which contains financial information (financial statements, half-year and quarterly financial reports, presentations for analysts, trends in the Company’s share prices, a list of coverage of Company stock by financial analysts) and other data and documents of interest to shareholders⁴¹. Documentation remains on the site for at least two years. In 2009, the Site was radically restyled to improve the accessibility of its content for all users.

12.3. Shareholders’ Meetings and rules⁴²

To facilitate participation in meetings, the by-laws provide that shareholders with voting rights who lodge certificates issued by their brokers proving ownership of shares at the Company’s registered office at least two days before the date fixed for the meeting and have not withdrawn them before the meeting takes place are entitled to participate at meetings.

Since 2001, the Company has had rules ensuring smooth and efficient conduct of their meetings and guaranteeing the right of all shareholders to intervene on the matters on the agenda. These rules were approved by a Shareholders’ Meeting and do not constitute an appendix to the by-laws.

13. The Board of statutory auditors

The Statutory Auditors monitor:

- compliance with laws and by-laws;
- observance of sound business standards;
- the adequacy of the Company’s organizational structure in connection with the ICS and the administrative-accounting system and the reliability of the latter in accurately representing business events;
- implementation of corporate governance rules in accordance with the codes of conduct promulgated by financial market operators or professional bodies which the Company has publicly

⁴¹ Such as, among others, the by-laws, rules for Shareholders’ Meetings, Board, Board’s committees, corporate governance information, procedures for handling Privileged Information, procedures for relevant operations and operations with related parties, the Code of Conduct and the Sustainability Report.

⁴² The Rules are also posted on the Website for the public.

adopted;

- the adequacy of the instructions imparted by the Company to Group companies pursuant to art. 114, clause 2, TUIF.

Further, following the coming into force of Italian legislation in application of the European directive on the legally required audit of accounts, the Statutory Auditors act as an “Internal control and legal auditing Committee” which oversees:

- the financial reporting process;
- the effectiveness of the internal control, internal audit and risk management systems;
- the legally required audit of the Separate and Consolidated Financial Statements;
- the independence of the legal audit company, with special regard to any non-audit services.

The Statutory Auditors does not have legal auditing functions⁴³.

The by-laws (art. 22) require the Statutory Auditors to be formed by three standing auditors and two alternate auditors and that appointments be made on the basis of lists submitted by shareholders representing at least 2%⁴⁴ of the shares with voting rights in ordinary meetings. Under the Investor Protection Law, the chairman of the Statutory Auditors is appointed from a minority list.

The capital quota contemplated in the by-laws for submission of lists of Statutory Auditors nominees is reasonable, given the existence of numerous minority shareholders with over 2% of the share capital. A shareholder that presents a list, on his own account or with others, must file with the registered office upon presentation of such list a certificate issued by authorized brokers proving entitlement to exercise rights and a declaration stating under his own responsibility that there is no connection with other lists presented, in accordance with the provisions of the applicable law.

Motions to shareholder meetings proposing candidates for the post of statutory auditor must be lodged at Company headquarters at least fifteen days before the date of the meeting (1st call).

The choice of candidates must take into account the criteria established by current law and the Company’s by-laws. Nomination proposals must be accompanied by detailed information on candidates’ personal and professional profiles and by statements by the candidates that they accept candidacy, that there are no causes of ineligibility or incompatibility and that they possess the requisites for holding the post prescribed by law and the Company’s by-laws. Persons who are already statutory auditors for five other listed companies may not be entered in the candidate lists.

The Shareholders’ Meeting on 30 April 2008 appointed the following statutory auditors to hold office till the Shareholders’ Meeting to approve the financial statements closing at 31 December 2010:

- | | |
|---------------------|------------------------------|
| ➤ Angelo Casò | Chairman, Statutory Auditors |
| ➤ Andrea Amaduzzi | Standing auditor |
| ➤ Luigi Biscozzi | Standing auditor |
| ➤ Francesco Nobili | Alternate auditor |
| ➤ Serenella Rossano | Alternate auditor |

Angelo Casò was nominated by a minority shareholders list put forward by Fines S.p.A. and Luigi

⁴³ The law requires this to be done by a Consob authorized audit company designated by the shareholders (see section 16).

⁴⁴ Or any lower percentage subsequently required by law.

Biscozzi and Andrea Amaduzzi were appointed from the list submitted by Fineldo S.p.A.

The *curricula* of the standing auditors are attached to the Report under Annex 4.

The Board believes that statutory auditors, as well as having all the legal and statutory requisites in terms of professional and moral standing and independence, must also qualify as independent under the terms of the definition in the Code as applicable to directors. Following ascertainment in the Board meetings dated 26 March 2009 and 25 March 2010 (based on personal declarations endorsed by statutory auditors), all the standing auditors possess the independence requisites indicated by the Code for directors.

To implement certain recommendations of the Code, the Board of Directors approved, in March 2003, a procedure disciplining notices to the Statutory Auditors pursuant to art. 150 TUIF. The procedure, as well as assisting the committee in its control function by enhancing the transparency of the Company's management, provides that such notices also be sent to directors so they may form a more detailed view of the Company's business, as recommended by the Code in endorsing the central role of the board of directors as a whole.

The Company has procedures in place that ensure the statutory auditors can do their duties effectively.

The chairman of the ICC invites all the statutory auditors (and not just their chairman) to meetings⁴⁵. It is also practice for at least one standing auditor to take part in at least one meeting of the supervisory committee a year.

The procedure for significant transactions and transactions with related parties (see 9 above) also applies to standing auditors. It is consolidated practice for any statutory auditor who on his own account or that of 3rd parties has an interest in a given operation of the Company to promptly and exhaustively inform the other statutory auditors and the chairman of the Board as to the nature, terms, origin and extent of such interest.

Within the framework of the tasks attributed to it by the law, the Statutory Auditors judge the system of ascertaining the independence of directors on the basis of self-certification to be valid. In 2009 too, in view of the definition of "independent director", they verified the evaluation criteria adopted by the Board and found them adequate, consistent and well grounded.

As detailed in section 8 above, the Statutory Auditors, together with the ICC, has been visiting significant Group subsidiaries to carry out checks since 2007. Such checks took the form of meetings with local managements and their independent auditors. In this way the statutory auditors were able to ascertain the adequacy of the organizational structures of the companies visited regarding matters within the scope of the ICS and the administration and accounting system, and that said structures are in line with the Group's objectives.

As detailed in section 1.1 above, the Statutory Auditors and their chairman in particular were involved in the board of directors' self-assessment process. In this connection, it was able to ascertain the substantial satisfaction expressed by the directors as to the working of the Board.

⁴⁵ Especially meetings at the Group's foreign subsidiaries.

The Statutory Auditors met eight times in 2009.

| Post | Members | Independence pursuant to Code | Committee meeting attendance (%) | BoD meeting attendance (%) | # other posts* | Minority list designated |
|---|-------------------------------|-------------------------------|----------------------------------|----------------------------|----------------|--------------------------|
| Chairman | Angelo Casò | X | 100% | 100% | 3 | X |
| Standing auditor | Andrea Amaduzzi | X | 100% | 100% | 0 | |
| Standing auditor | Luigi Biscozzi | X | 87.5% | 100% | 1 | |
| | Number of meetings in year: 8 | | | | | |
| Quorum for submission of lists by minority shareholders for one or more standing auditors (ex art. 148 TUIF): 2% | | | | | | |
| NOTES | | | | | | |
| * Number of administration or control posts held in companies listed in Italian regulated markets other than IndesitCo. | | | | | | |

14. Innovation and Technology Committee

The ITC was set up in 2004 to define the strategies and investments needed to develop the Group's innovation capability. It also takes all necessary measures to spread the culture of innovation within the Group and in particular by stimulating all the functions involved, from the product business units to marketing and the electronics laboratory. Though control of costs and quality are indispensable if the Group is to keep abreast of its rivals, only effective development of innovation and of its brands can deliver competitive edge in the long term.

Appointed on 26 March 2009, its four members are: Adriano De Maio – Chairman, Andrea Merloni, Luca Garavoglia and Paolo Monferino. Vittorio Merloni, Marco Milani and a number of Company managers regularly take part in ITC meetings.

In 2009, the ITC met once and was attended by its four members, the CEO and a number of Company managers. Themes looked at included:

- products and applications to be integrated in “*smart grids*”;
- involvement of users in the ergonomic design of products;
- type “2.0” innovation generation processes;
- update of main innovation projects underway.

15. Organizational Model and Code of Conduct

The organizational and management model (hereafter the “Model”) was adopted by the Board in 2004, partly to allow the Company to avail itself of the provisions of the legislative decree 231/01⁴⁶. After new mapping activities in 2009 to keep abreast of both new legislation (on certain offences) and changes in the Company's organization, the Model was updated, approved by the OdV and adopted by the Board in a meeting on 25 March 2010.

⁴⁶ The law introduced the “administrative liability” (in practice criminal) of companies for certain offences committed in its interest or to its advantage by its directors, statutory auditors or employees. The law exempts companies, however, that can show they have adopted and effectively implemented an organizational, management and control model capable of preventing the offences in question.

Fruit of analysis of the risks/offences attaching to IndesitCo's business, the Model is in line with the principles set forth in legislative decree 231/2001, with Italian *best practice* and with Confindustria "Guidelines" and is capable of preventing the offences contemplated in the aforesaid law.

The Model is a further strengthening of rigour, and a sense of responsibility in internal and external relationships and at the same time offers shareholders adequate guarantees of efficient and correct management. In addition to the analysis of risks, the Model contains a list of procedures designed to cover risks attaching to "sensitive processes" and "activities at risk" with respect to the offences covered by the aforementioned decree law.

The Code of Conduct⁴⁷, which contains guidelines on modes of conduct that may avoid illicit for the purposes of legislative decree 231/2001, is the basis on which to construct a system of prevention and control. The Code in fact:

- sets forth general principles disciplining the workings of the Company, which acts in compliance with the law;
- contains a series of rules of conduct to abide by in relationships with certain stakeholders, of which the public administration is the most important;
- requires that all operations and transactions must be correctly recorded, authorized, verifiable, legitimate, coherent and congruous and that the decision-making process involved must always be verifiable;
- provides for penalties commensurate with the seriousness of the infringements committed.

On 25 March 2010, the Board adopted the new Code of Conduct, which contains, in addition to the foregoing, all the ethical principles applied by the Group in its business activities.

The following are subject to the Code: IndesitCo's directors and Statutory Auditors and all its employees, all subjects who in any way act in the name and on behalf of IndesitCo and, in certain respects only, also suppliers, clients and agents of the Company.

The Board appointed⁴⁸ an OdV Body formed by two external independent members specializing in penal and company law, respectively Bruno Assumma (chairman) and Giovanni Frezzotti, and two internal members, Giuseppe Catalano, head of the Group legal and corporate affairs department, and Ferruccio Panicco, Group Chief Audit Executive. Under the OdV's regulations, tied votes are resolved by the casting vote of its chairman.

In making these appointments, the Board adequately considered the ODV's members requisites in terms of independence, autonomy, professionalism and integrity, while such members gave assurances regarding the continuity of action required of their role.

The OdV's tasks include:

- 1) promoting awareness and knowledge of the Model;
- 2) updating and integrating the Model and the code so that they always reflect business activities and procedures and the relevant legislation;
- 3) monitoring infringements of the Model and Code of Conduct.

⁴⁷ Published on the Website.

⁴⁸ In meetings on 7 February 2008 and 29 October 2008

The OdV meets quarterly and keeps minutes of its meetings in an authenticated register.

The compliance programme drawn up by the OdV will gradually be extended to all Group companies in line with local legislation equivalent to legislative decree 231/2001 and in any case such as to guarantee adequate coverage of risks relating to the offences contemplated in the law, in all regions where the Group operates. As an integral part of this compliance plan, the following will be adopted by the entire Group:

- the Code of Conduct;
- the powers of attorneys;
- the body of rules and procedures disciplining the Group's operations and business functions.

The Company continually reviews the Model, also in view of new legislation and of the increasing number of offences punishable under legislative decree 231/2001.

16. Independent auditors

The Shareholders' Meeting on 5 May 2004 engaged KPMG S.p.A. for the 2004-2006 three-year period to:

- a) audit IndesitCo's separate financial statements and the Consolidated Financial Statements of the Group, pursuant to art. 159, clause 1, TUIF;
- b) check over the year that the Company's accounts are kept properly and that accounting entries accurately refer to Company's operations pursuant to art. 155, clause 1a), TUIF;
- c) review the consolidated half-year financial statements in accordance with the provisions of Consob communication 97001574, 20 February 1997.

At a meeting of the shareholders on 3 May 2007, KPMG's engagement was extended until the Shareholders' Meeting called to approve the financial statements at 31 December 2012, given that the maximum term for auditing engagements under the Investor Protection law is nine years. In application of said law, the reference partner in KPMG will change for the last three years (2010-2012).

17 Officer charged with drafting the Company's accounting and corporate documents

Meeting on 3 May 2007, the Board, pursuant to the by-laws⁴⁹, appointed Andrea Crenna, the Group's *Chief Financial Officer*, as the manager charged with preparing the company's financial reports (DP).

The DP has the task of drawing up adequate administrative and accounting procedures regarding the disclosure of accounting information to the market and overseeing compliance with such procedures, all of which being to guarantee a high level of internal control over financial reporting.

The risk management and financial reporting control system, for which the DP has certain responsibilities, is described in detail in Annex 1.

⁴⁹ Modified on the same date. The by-laws provide that the Board, having consulted the Statutory Auditors, appoint a company officer and confer on him the powers and resources needed to carry out the tasks required of the role by current law, and fix his remuneration. The by-laws also establish the requisites of professionalism and integrity of such officer, who must be chosen from candidates with suitably long experience in the same management function and/or functions in the administrative and/or financial and/or control sector in listed and/or large companies and having the same integrity requisites as those required of company directors.

Annex 1–
Main characteristics of the existing risk management and
internal control systems in relation to the financial reporting process
pursuant to art. 123-bis, clause 2, b), TUIF

1. Introduction

Certain words starting with a capital letter should be understood with the meanings assigned to them in the Definitions.

In addition to the content of this Annex concerning the main characteristics of the existing risk management and internal control systems in relation to the financial reporting process (including the Consolidated Financial Statements), readers should also refer to the following sections of Part Two of the Report: 7.1 (Introduction) 7.2 (*Internal audit*), 8 (ICC), 10 (Treatment of confidential information), 17 (DP).

It should be noted, first of all, that the risk management system cannot, indeed must not, be considered as separate from the ICS in relation to the financial reporting process; both are parts of the same system, a system designed to ensure the reliability⁵⁰, accuracy⁵¹, trustworthiness⁵² and timeliness⁵³ of financial reporting.

As already described in the Report (Part Two, section 7.1, ICS), the Group's existing risk control system is based on the principles of the **univocality and centrality** of the entire ICS, which requires on one hand a clear definition of all the levels of risk management and controls⁵⁴, and on the other an integrated and homogeneous approach to the management and assessment of the design and operating aspects of the ICS to guarantee coherent judgements on the part of all parties involved.

Further, the ICS adopted by the Group relies on the **exhaustive and transversal nature of its risk assessment**, which avoids partial approaches to specific organizational areas or legal issues in favour of covering significant critical features throughout the entire organization.

⁵⁰ Reliability (of reporting): having the characteristics of correctness and conformity to generally accepted accounting standards and the requisites specified in laws and rules.

⁵¹ Accuracy (of reporting): having the characteristics of neutrality and precision. Information is deemed neutral if free from attempts to influence users' decisions to obtain a particular result.

⁵² Trustworthiness (of reporting): having the characteristics of clarity and completeness enabling investors to make informed decisions. Information is deemed clear if it aids understanding the more complex aspects of the business without going to excessive length.

⁵³ Timeliness (of reporting): information disclosed within the legal term.

⁵⁴ As dealt with in greater detail in the Report, the existing levels of control in the Group, in line with international best practice, particularly in the bank brokerage and financial sectors, are as follows: 1st level, defining and managing the so-called on-line controls built into operating processes to minimize risks (ie. procedural, IT, financial and comportmental controls carried out by both the subjects engaged in a given activity and those responsible for supervising it within the individual business functions); 2nd level, overseeing the process of management and control of risks attaching to operations to ensure coherence with business objectives and applying criteria of segregation to allow for effective monitoring (including certain functions operating in various Group departments: eg. the *Compliance* function (Legal & Corporate Affairs Dept.), the *Group Reporting Process* function (Group Accounting Dept.), which focuses on procedures for conformity to the Investor Protection law, the *Health&Safety Dept.* (set up within the Technical Dept. to ensure compliance with workplace health and safety standards in the Group), and the *Environment* function (Quality-Environment Dept.); 3rd level providing independent assessments of the design and operation of the ICS as a whole through systematic and professional action on the part of *Internal audit*, a function with stringent requisites of independence and organizational autonomy.

The ICS is completed by a set of **assurance mechanisms** (inter-functional and intra-functional) facilitating a continual alignment of ICS functions, design and operation with respect to the Group's governance and control needs, which can only be achieved by observance of the principles of independence and separation between operating and control responsibilities in order to prevent – as already stated – potential conflicts of interest between organizational functions and individual positions that could compromise integrated risk management.

The following were also described in Part I:

- the **main instruments** used by the ICS, focusing on – with special reference to the financial reporting control system – the activities involved in certifying the existence, adequacy and actual application of the administrative and accounting procedures for the drawing up of the financial statements, such attestation being issued by the DP pursuant to the Investor Protection Law⁵⁵;
- specific guidelines and procedures for the design, implementation, monitoring and updating of the ICS over time and, in particular, of the risk control system, with special reference to any “*best practice*” adopted⁵⁶.

2. Description of the main characteristics of the existing risk management and internal control system in relation to the financial reporting process

a) Phases of the existing risk management and internal control system in relation to the financial reporting process

When the Investor Protection law came into force, the Group initiated a project to adapt to the provisions in it, in five phases: scoping, gap analysis, identification of significant processes, implementation of corrective actions and testing.

This project covered risks and controls at both company/group level (so-called “*entity level*”)⁵⁷ and process level⁵⁸, and prioritized, in the first case, the Group parent company and significant subsidiaries, and in the second case, the most important transversal processes.

The project identified the main risks⁵⁹ attaching to financial reporting and defined criteria for identifying the both perimeter of the entities involved (according to their importance in the Consolidated Financial Statements) and of the processes deemed most “important” in terms of potential impact on financial reporting, and of the risks arising from failure to achieve the control objectives (eg. financial statements assertions) and other objectives related to financial reporting)⁶⁰.

⁵⁵ See section 17, Part Two, of the Report.

⁵⁶ The design, implementation and maintenance of the system, and its periodical review in the case of the Group, are based on a reference model (CoSO Report) to ensure adequate development and correct operation.

⁵⁷ Covering risk identification and assessment, definition of controls, etc. and focusing on “horizontal” elements across the company/group, such as personnel competency, the corporate governance system, the regulatory system, communication of internal control system responsibilities, risk assessment procedures, etc.

⁵⁸ Covering risk identification and assessment, definition of controls, etc. and focusing on single processes, risks attaching to them, specific controls and monitoring.

⁵⁹ Risk: the possibility of an event whose occurrence may jeopardize achievement of the System's objectives (ie. the accuracy, reliability, trustworthiness and timeliness of financial reporting).

⁶⁰ Control objectives: objectives that the internal control system for financial reporting sets itself in order to ensure truthful and accurate representation, including “financial statements assertions” (existence and occurrence, completeness, rights and obligations, measurement and recognition, format and notes) and “other control objectives” (eg. observance of authorized limits, segregation of incompatible tasks, checks on the physical security and existence of assets, documentation and traceability of transactions, etc.).

The risks identified, including unintentional error⁶¹ and fraud⁶², as likely to impact significantly on financial reporting, were subjected to gap analysis between the control model for *financial reporting* and the reference model (the *CoSO Report*).

Said reference model, proposed by the *Committee of Sponsoring Organizations*⁶³, is based on five main environments:

- a) company control culture (sensitivity on the part of top management in formalizing control roles and responsibilities and a system of internal communication ensuring overall coherence with business strategies and objectives);
- b) risk assessment process (continual process of identification and analysis of endogenous and exogenous risks capable of compromising the achievement of business objectives);
- c) adequate controls structure (rigorous methodologies in the design and implementation of control activities providing the top management with assurance of proper application of their instructions);
- d) reliable information systems and communication flows (integrity and completeness of data and information);
- e) monitoring (on a continual basis to ensure maintenance and improvement of the internal control system).

The result of the project was the definition and implementation of a system of controls which, in line with IndesitCo's organizational structure (characterized by a prevalently functional type model), privileges a structural approach to operating processes (procurement, sales, personnel, etc.) whilst also applying a certain logic of sub-division of activities by *legal entity*.

The control processes in place thus operate by means of:

- a) 1st level (or line) monitoring by the operating management in charge of major processes/relevant activities;
- b) 2nd level monitoring, this also being functional/process-based, by the *Group Reporting Process* function;
- c) 2nd level monitoring of individual companies (operating horizontally therefore across all the processes of the legal entity) by a newly created figure, the *Financial Compliance Officer* (usually coinciding with the role of the subsidiary's admin. manager and/or market controller);
- d) 3rd level monitoring by the *Internal audit* function; this provides an independent assessment which, after consultation with the DP, is passed to the executive director that oversees the operation of the ICS, to the ICC and the Statutory Auditors.

This last point (d) is just one aspect of a wider ranging dialogue between the DP and the *Internal audit* function, which consists of:

- a permanent consultancy function on ICS accounting analysis activities and on the adequacy of the controls implemented;

⁶¹ Error: in the System, this means any unintentional act or failure to act resulting in a deceptive statement in reporting.

⁶² Fraud: in the System, this means any intentional act or failure to act resulting in a deceptive statement in reporting.

⁶³ A private, voluntary organization based in the United States providing guidelines for directors of public and private companies on corporate governance, business ethics, internal control, fraud, risk management and financial reporting.

- focus on critical areas (identified during statutory activities) that impact on the ICS regarding processes deemed sensitive by the DP and on the necessary adjustments identified;
- specific control activities requested by the DP to facilitate assessment of the adequacy and operational reliability of admin.-accounting procedures.

The DP may also request specific intervention and controls through the ICC.

Further, an essential step in the overall project to achieve compliance with the new law was the Group's approval of the new Manual, in force as of 1st January 2008. The Manual, in addition to defining Group *reporting* rules for the various business processes, provides principles and guidelines to apply across the Group in relation to obligations under art. 154-*bis*, TUIF (drafting of corporate accounting documents and relative attestation).

The Manual and the accounting control system over the Group it refers to are designed to provide reasonable certainty that the accounting information disclosed gives users a true and fair view of business events, thus allowing issue of the attestation and declarations required by law that such information corresponds to the Company's documentation, registers and accounting records and disclosures to the market and relative accounting data (including interim data⁶⁴), and that administrative and accounting procedures are properly and effectively applied in the period the accounting documents (financial statements and half report) refer to.

In view of recent legislation and international best practice, the Manual has:

- redefined the roles and responsibilities of the Organizational Units involved in the general activities of drafting, distributing and checking accounting information disclosed to the market;
- defined operating procedures ensuring compliance with the new legal requirements;
- introduced, in support of the drafting of legal attestation/declarations by the DP and the CEO, the obligation for the heads of the Operating Units to which the Manual applies to internally certify (using the relevant internal communication procedure) i) proper functioning of the accounting control system in accordance with the Investor Protection law regarding the accounting processes/flows under their managerial responsibility, ii) completeness and reliability of information flows and iii) adequacy and effective application of the key controls.

The Manual refers to "accounting information", which means all the documents and information disclosed to the market containing actual accounting data regarding the equity, income and financial situation of IndesitCo and the Group.

The Manual addresses Organizational Units, even if not directly charged with book keeping or management control, belonging to the Group companies and also in companies consolidated outside such area but which concur, under various titles, in the formation or disclosure of the Group's accounting records.

b) The attestation system

In view of current law and international best practice and as a formal and material basis for the

⁶⁴ It should be remembered that in addition to the legally required annual and 1st half statements the Company also approves quarterly accounts.

attestation issued by the DP pursuant to the Investor Protection law, the Manual introduced a series of sub-attestations (“cascade” system) of subjects with operating and/or administrative responsibilities who have been assigned powers of management or reporting that entail the sharing of the legal responsibilities of the DP, at least from an internal point of view within the organization of the Group and within the bounds of their particular duties.

To cover both the responsibilities attaching to the Organizational Units and responsibility for producing the *Reporting Packages* (drafted per *legal entity* of course, for the purposes of the Group’s Consolidated Financial Statements), two separate types of attestation were defined:

- attestation on single items of *Reporting* in the income statement, issued by the management of the Organizational Units with operating and control powers;
- attestation of subsidiaries’ *Reporting Packages*, issued by their boards of directors.

In both cases (differing substantially only in the definition of the relevant context) the subjects certify that:

- 1) they have implemented adequate accounting and administrative procedures on the basis of the DP’s guidelines;
- 2) said procedures were actually applied during the period the accounting data refer to;
- 3) such data corresponds to the values in the accounting books;
- 4) such data give a true and fair view of the financial position and results of the operations of the Company they are responsible for.

To further strengthen the necessary process of compliance, the boards of directors of each of the subsidiaries deemed “strategic” have, in turn, co-opted one of their members to act as a *Financial Compliance Officer* providing the necessary *assurance* regarding the information required for the purposes of drafting the consolidated financial statements and the sub-attestations.

c) Information flows between functions

To favour rational and efficient co-operation between control bodies and guarantee a systematic and timely flow of information between the DP, boards of directors and control bodies within the framework of the ICS, precise definitions have been made of the interrelations, spheres of operation and *reporting* flows between such bodies.

CEO

The DP reports on a continual basis to the CEO regarding:

- management and control of the process of drawing up accounting documents;
- critical issues if any;
- plans and actions to overcome problems, and the results obtained;
- adequacy of the means and use of resources at the DP’s disposal;

Board of directors

The DP also signals any shortcomings of the ICS on accounting aspects to the internal control officer, and if appropriate to the ICC. The DP reports to the ICC at last annually and in any case at the ICC’s request on the matters in the previous paragraph. The Board may in any case ask the DP to report on the matters in the previous paragraph.

The DP may report to the Board at any time, either directly or through the Chairman or the CEO, in the event he or she is no longer able to fulfil his or her tasks or to signal facts of a critical nature that might require urgent decisions on the part of the Board.

The Chairman and the chairman of the ICC may request the presence of the DP during discussions of matters deemed of interest to the DP.

The DP has access to all the documentation regarding the resolutions of boards of directors that impact on the Company's equity, income and financial situation.

ICC, Statutory Auditors, independent auditors, OdV

The DP ensures there is a complete exchange of information regarding the actual operation and reliability of the administrative and accounting procedures.

On request, the DP reports to the Statutory Auditors and the OdV on his or her activities in order to maintain a full exchange of information with said bodies, also for the purpose of adjusting checks and controls where necessary and focussing on areas deemed at most risk.

The DP immediately informs the ICC and the Statutory Auditors of any anomalies, shortcomings or critical situations in the administrative/accounting system deemed of particular importance.

If requested, the DP must collaborate with and assist the ICC and the Statutory Auditors in the activities they intend to carry out regarding administrative controls on the production of accounting documents.

The DP liaises with the independent auditors concerning assessment of controls relating to administrative and accounting processes.

Annex 2 -

Career profiles of directors and lists of top management posts held in other listed companies, banks, insurance companies, finance houses and other large enterprises.

| BRUNO BUSACCA | |
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| <p>Born in Milan in 1958, he graduated with honours in Business Administration (major in marketing) from Luigi Bocconi Commercial University (Milan). After graduation he attended the "International Teachers Program" at Centre HEC-ISA, Jouy-en-Josas, Paris and was a Research Associate at the University of California, Berkeley, School of Business Administration.</p> <p>A full professor of Corporate Economics and Management, he is the director of the Business Administration degree course at Bocconi University, and a director of "Formazione manageriale su misure-Imprese"</p> <p>He was president of the Master Committee and Rector Delegate for cultural activities and institutional relationships at Bocconi University and directed the Marketing Department at SDA Bocconi School of Management (1999-2003) and the "misure-Imprese" management Training Division from 2004 to 2008. Presently he is a member of the governing body of the Italian Marketing Society, sits on the editorial boards of various academic journals (Economia & Management, Finanza Marketing e Produzione, Mercati e Competitività and EsicMarket) and is a member of the First International Network on Trust (FINT).</p> <p>He is the author/co-author of 16 books and over 80 articles published in national and international academic journals. His research interests are mainly focused on consumer behaviour, customer satisfaction, customer relationship management, marketing strategy and shareholder value, market-based assets, pricing and strategic brand management.</p> | |
| INNOCENZO CIPOLLETTA | |
| <p>Innocenzo Cipolletta (born in Rome in 1941) is chairman of Ferrovie dello Stato (Italian National Railway Holding Company) and the University of Trento. He was formerly chairman at Il Sole 24 Ore (Italy's daily financial newspaper), UBS Corporate Finance Italy and Marzotto SpA and was also Director General of Confindustria.(the Italian Industrial Employers Association). He was also a director and manager at ISCO (Italian Institute for Studies on Economic Cycles).and OECD (Organisation for Economic Co-operation and Development). He has held lecturing posts at two universities in Rome; "La Sapienza" and the LUISS – Guido Carli, at Florence's Cesare Alfieri and at the University of Reggio Calabria. He is on the Advisory Board of Fondazione NordEst (a foundation for the development of Italy's North-East region), a member of BT Albacom's Advisory Board and also an economic advisor for UBS. He is a member of a number of non-profit organisations such as the Italian Statistics Society, the Italian Economist's Society, the Italian Society for Economics, Demographics and Statistics, ISTAO (Adriano Olivetti Institute for Economic and Business Studies) and the Italian Institute for International Affairs (IAI). He is the author of numerous scientific articles and an economics commentator. Innocenzo Cipolletta is also a Knight of the Gran Croce.</p> | |
| Offices | |
| Chairman | Ferrovie dello Stato S.p.A. |
| Director | Poltrona Frau S.p.A. |
| | iGuzzini S.p.A. |
| | Ceramiche Piemme S.p.A. |
| | UBS Italia SIM S.p.A |
| Member of Advisory Board | BT Albacom |
| ADRIANO DE MAIO | |
| <p>He took a degree in Electronic Engineering (1964) at Politecnico di Milano, where he is now a full professor of Innovation Management. He was Rector of Politecnico di Milano (1994-2002) and of Luiss Guido Carli in Rome (2002-2005), Commissioner at the National Council of Research (CNR) (2003-2004), chairman of the Evaluation Committee of Public Research Centres and of the Advisory Committee to the Ministry for higher education reform (2002-2004). president of TIME (association of top level European technical universities) (2000/2002), member of the board of Ecole Centrale Paris (1998-2002), where he received a honorary Ph.D. chairman of the investment committee of Next Venture Capital Fund. Founder and president of Main S.r.L. (1984/1994) (a consultancy serving medium and large Italian industrial and service companies, sold when he was elected Rector of the Politecnico). Author of books and articles, especially on innovation management and research. At present he is also counsel to the Governor of Regione Lombardia on higher education, research and innovation, chairman of IRER, member of Fondazione CEN (Centro Europeo di Nanomedicina) and of Associazione Alunni of the Collegio Ghislieri of Pavia.</p> | |
| Offices | |
| Director | Saes Getters S.p.A. TxTe-Solutions S.p.A. Telecom Italia Media S.p.A. |
| LUCA GARAVOGLIA | |
| <p>Born in Milan, Italy, in 1969, he graduated with honours in Economics at the Università Commerciale Luigi Bocconi in Milan. Since September 1994 he has been chairman of the board of directors of Davide Campari-Milano S.p.A., parent company of the Campari Group.</p> <p>Since he took office, Campari has experienced intense growth, diversified its international operations and entered new businesses (through 16 major acquisitions), becoming an industry leader in Italy and Brazil and acquiring a significant position in the United States. Campari Group now operates in 190 countries throughout the world and exports more than</p> | |

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| <p>60% of its production. Under his chairmanship, it was listed on the Milan stock exchange in 2001. He now holds the following posts: Director and member of “Comitato Nomine, Corporate Governance e Sostenibilità” and of “Comitato Remunerazioni” of Fiat S.p.A.;</p> <p>chairman of the Technical Committee for Taxes, Confindustria; member of the board of directors and supervisory committee of Assonime; member of the board of directors and vice-president of Federvini; member of the Italian advisory board of INSEAD, Fontainebleau; member of the board of directors and executive committee of FAI - Fondo per l’Ambiente Italiano; member of the board of directors of the Istituto Europeo di Oncologia Foundation; vice-chairman of European Issuers.</p> | |
| Offices | |
| Chairman | Davide Campari-Milano S.p.A. |
| Director | Fiat S.p.A. |
| MARIO GRECO | |
| <p>Mario Greco (born in Naples, in 1959) took a degree in economics at the University of Rome in 1983 and a Master’s in international economics and monetary theory at Rochester University, N.Y. (USA) in 1986. He began his career in management consulting, working with McKinsey & Company from 1986 to 1994 as a senior partner in the insurance segment. In 1995, he joined Ras as head of the claims division. In 1996, he became general manager, insurance business, and in 1998 he became a managing director. In 2000, he was appointed the company’s CEO, remaining in the position for five years. Under Mr Greco’s direction, Ras experienced significant growth, with premiums rising from €10.8 billion to more than €16 billion, and net profits doubling from €383 million in 2000 to €691 million in 2004. In addition, the market value of Ras shares gained more than 110% over the 2000-2005 period. At the beginning of 2004 Mr Greco was appointed head of Allianz’s “Life Sustainability” project. In December 2004, Mr Greco was made a director of Allianz Ag with responsibility for Europe II (France, Italy, Spain, Portugal, Greece and Turkey), previously under Detlev Bremkamp. In April 2005, Mr Greco joined the Sanpaolo IMI Group as CEO of EurizonVita (formerly Aip) in a project to build up the Group’s insurance business. In October 2005, he was appointed CEO of Eurizon Financial Group, the new parent of EurizonVita, Banca Fideuram and Eurizon Capital Sgr. In December 2006, EFG posted profits of €625m. At the end of 2004 it had posted profits of €420m. In September 2006, EFG’s listing procedure was suspended because of the merger between Banca Intesa and Sanpaolo Imi. In June 2007, Intesa Sanpaolo decided to revise its strategy for insurance and asset management and decided not to list EFG. Mario Greco resigned as a consequence. On October 2007 Mr Greco joined Zurich Financial Services as deputy CEO Global Life Insurance and a member of the Group executive committee. Mr Greco is also a member of the board of directors of Università Bocconi.</p> | |
| Offices | |
| CEO Global Life | Zurich Financial Services |
| Chairman and Legal Representative | Zurich Life & Pensions Zurich Investments Life Zurich Life Insurance Italia |
| Director | Group Editoriale L’Espresso S.p.A Saras S.p.A. |
| HUGH MALIM | |
| <p>Born in 1944 in the UK, he studied at Wellington College, Dartmouth Naval Academy (1962) and London University. He started his career in the Royal Navy, as a fighter/helicopter pilot, and left with the rank of Captain. From 1978 to 1985 he was manager of para-banking development for Barclays Group – Italia and headed the opening of the bank’s Rome branch. From 1986 to 1993, he was Global Project & Export Finance Manager at Barclays De Zoete Wedd. He is currently the legal representative and Country Manager of Barclays Group in Italy. Current posts include: vice-chairman of “A.I.B.E. Associazione fra Banche Estere in Italia” and a director of “Associazione Bancaria Italiana”. In 2003 he was made a “Commendatore della Repubblica Italiana”.</p> | |
| Offices | |
| CEO/ Country Manager | Barclays Capital/Investment Banking |
| Chairman | Barclays Financial Services Italia S.p.A. Iveco Finanziaria S.p.A. |
| Vice Chairman | Barclays Private Equity S.p.A. |
| EMMA MARCEGAGLIA | |
| <p>Born in Mantova in 1965. Honours degree in business economics at the Bocconi Commercial University. “Bocconiana dell’anno” in 1996. Master’s in Business Administration, New York University. CEO, Marcegaglia S.p.A., a leading steel transformer. Chairman of Mita Resort srl, which operates Forte Village, a tourist village, in Santa Margherita di Pula (CA). Chairman, Turismo & Immobiliare S.p.A. (equal shares held by Gabetti Property Solutions S.p.A., Marcegaglia S.p.A., Pirelli R.E.). Vice-chairman, Italia Turismo S.p.A. CEO Gala Turismo S.p.A..</p> | |

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| <p>Vice-chairman, Confindustria, infrastructure, energy, transport and the environment (from may 2004 to May 2008). Italian representative in the European Commission's "High level group on Energy, Competitiveness and the Environment". President, Fondazione Areté Onlus, in support of Vita-Salute San Raffaele (since 2003). Previous posts: director of Finecobank S.p.a., vice chairman Confindustria for Europe from 2000 to 2002, president National Young Entrepreneurs, Confindustria, from 1996 to 2000, president of YES (Young Entrepreneurs for Europe) from 1997, vice president, National Young Entrepreneurs, Confindustria, 1994 to 1996.</p> | |
| Offices | |
| CEO | Marcegaglia S.p.A. (and other Gruppo Marcegaglia companies) |
| Director | Bracco S.p.A. Gabetti Property Solutions S.p.A. Siderfactor S.p.A. |
| ANDREA MERLONI | |
| <p>Andrea Merloni was born in Rome in 1967. He has been vice-chairman of Indesit Company since April 2008 and a member of its board of directors since 1996. From 2005 to 2007 as Director of Indesit Company SpA he was in charge for the "new business opportunities". From 2000 to 2007, he was chairman and CEO at WRAP spa, a spin-off from Indesit Company SpA formed to develop the Company's patents and know-how in the field of household appliance electronics. In 1996 he bought the Benelli S.p.A. brand and relaunched it in the scooter and large motorbike industry; he was its chairman and CEO till 2005. From 1992 to 1996 he was chairman of Aermarche S.p.A., an air transport service company. He is a director of Fineldo Spa (Vittorio Merloni's family holding company), Merloni Partecipazioni & Servizi srl and Evolve SpA. Is graduated in "Scienze Politiche"</p> | |
| Offices | |
| Sole director | Alpha 67 S.p.A. |
| Director | Fineldo S.p.A. |
| ANTONELLA MERLONI | |
| <p>Born in Rome in 1965, she graduated in economics and commerce at Bologna University. She is currently vice chairman of Fineldo Spa and a director of Merloni Progetti SpA. From January 1990 to January 1991 she trained with Poli e Associati in Milan. From January 1991 to September 1996 she was head of Indesit Company communication in the Eastern Europe area, subsequently becoming manager for the Czech market and then the Romanian market. She has been chairman of MP&S since 1996. From March 2001 to March 2002 she worked in the advisory and M&A division of Cofiri S.p.A. From May 2002 to June 2006 she was chairman and CEO of Faber Factor SpA, a factoring and leasing company.</p> | |
| Offices | |
| Vice-chairman | Fineldo S.p.A. |
| Director | Merloni Progetti S.p.A. |
| MARIA PAOLA MERLONI | |
| <p>Maria Paola Merloni graduated in political sciences and since 1989 has held posts of increasing responsibility in the administration area and then the commercial area of Indesit Company (formerly Merloni Elettrodomestici). She has been head of Institutional Relations since 2005 and became a director in 2008. In 1997 she set up "MCP Eventi", a firm that designs and organizes corporate and cultural events in Italy and other countries. Since 1997 she has held important posts on boards of directors of prestigious companies and the management committees of important associations: CEO of Fineldo (the Merloni family financial holding, of which she is still a director), director of Cinecittà Studios, Panini Spa and Fondazione "Teatro delle Muse" (Ancona), member of the management committee of Associazione Industriali, province of Ancona, president of Confindustria Marche, member of the governing body of Confindustria Nazionale and member of the management committee of Assonime. In 2006 she became a member of parliament (Ulivo list, DL-Margherita Marche constituency) and a member of Parliamentary Commission 10 for Productive Activities, Commerce and Tourism and Parliamentary Commission 11 for Public and Private Work. In 2008 she won a seat in Parliament with the "Partito Democratico" (as head of the Marche constituency committee), was shadow-minister for European Community policy and is a member of Parliamentary Commission 14 for European Union policy. She also sits on the national direction of the "Partito Democratico".</p> | |
| Offices | |
| Director | Fineldo S.p.A. |
| VITTORIO MERLONI | |
| <p>Vittorio Merloni is chairman of Indesit Company and Fineldo, the family holding company that controls Indesit Company and other Group interests. Vittorio Merloni's entrepreneurial career began in the 1960s in the family business. In 1975 he founded Merloni Elettrodomestici (now Indesit Company) and was its chairman. From 1980 to 1984 Vittorio Merloni served as president of Confindustria and now sits on its general council. From July 1984 to June 1988 he was chairman of Centromarca. From 1981 to 1994 he served as member of the board of directors of the Associates of Harvard Business School, Boston. From July 2001 to June 2005 he served as president of Assonime and is still a member of its executive committee and general</p> | |

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| <p>council. He was a director of Telecom Italia spa, Endesa Italia and Fondazione Rosselli. In 1984 he was made a “Cavaliere del Lavoro”. In 2001, he received an honorary doctorate of Management Engineering from the Politecnico in Milan. In June, 2002, he received the Tarantelli Award from the “Club dell’Economia” for the best idea in 2001 in economics. In April 2003, he was made a “Commander of the British Empire” for his business activities in the UK following the acquisition of Hotpoint, the country’s biggest white goods maker. In November 2004 he received the “Leonardo Award” for enterprise internationalization and for his contribution towards boosting Italy’s prestige in the world. On 6 May, 2005 he received the “GEI (Gruppo Esponenti Italiani) Award” in New York in recognition of his work in the fields of industry and trade and his enhancement of Italy’s image abroad. In October 2007 he received the “Keynes-Sraffa Award” for his contribution, through Indesit Company, towards the growth of reciprocal investments between Italy and the UK. Vittorio Merloni was born in Fabriano in 1933 and holds a degree in business and economics. He is married to Franca Carloni and is the father of four.</p> | |
| Offices | |
| Chairman | Fineldo S.p.A. |
| MARCO MILANI | |
| <p>Marco Milani, born in Milano in 1954, an engineering graduate, became CEO of Indesit Company on 27 July 2004. Having joined Indesit Company in 1980, he held increasingly important posts, both industrial and commercial, in Italy and above all abroad. In 1998 he became head of the CIS (former Soviet republics) and Eastern European markets, based in Moscow, till the acquisition of Stinol in 2000. Back in Italy, he took over as COO and in March 2002 was appointed CEO at Indesit Company UK, formed as a result of the acquisition of GDA Hotpoint, which he guided to full integration.</p> | |
| Offices | |
| Director | Carraro S.p.A. |
| PAOLO MONFERINO | |
| <p>Born in Novara in 1946, Paolo Monferino took a degree in mechanical engineering at the Politecnico in Turin and joined Fiat in 1973, initially in steel plant design and construction and then in the purchasing department. In 1981, he moved to Chicago, Illinois, as senior vice president, Worldwide Procurement and Material Management, at Fiat Allis, a joint venture between Fiat’s construction equipment business and the American Allis Chalmers group. In 1983 he became general manager of the company’s Latin American subsidiary in Brazil and in 1986 its COO. In 1987 he was appointed COO of Fiat Agri, Fiat’s farm machinery division. Following the 1991 acquisition of Ford New Holland and the creation of New Holland, Mr Monferino was made executive vice president of the newly merged company, leading Strategies and Business Development from its headquarters in London. From 1996 to 2000 Paolo Monferino was executive vice president of Fiat Group with responsibility for the following components manufacturers and other industrial operations: Magneti Marelli, Teksid, Comau-Pico, FiatAvio, Fiat Ferroviaria, Fiat Engineering and C R F. In 2000, he went back to Chicago as chairman and CEO of CNH (Case New Holland), a world leading manufacturer of farming equipment and construction machinery (with sales of \$12bn) formed by the merger of New Holland and Case Corporation. In 2005, he returned to Italy to become CEO of IVECO, a leading European commercial vehicle maker (sales of €11bn) and its financial joint ventures with Barclays. Paolo Monferino is also a director in other Fiat Group and Iveco Group companies, including the newly established Chinese joint ventures.</p> | |
| Offices | |
| CEO & General Manager | Iveco S.p.A. |
| Chairman | Fiat do Brasil SA |
| Director | <p>CNH Global N.V. Ferrari S.p.A. Alleanza Toro S.p.A. Fiat Group Purchasing Srl</p> |

Annex 3: Composition of the Board

| Board of Directors | | | | | | | | | Internal Control Committee | | Human Resources Committee | | Innovation and Technology Committee | |
|--------------------|----------------------|-----------|---------------|--------|------------|------|--------------------|---------------------|----------------------------|------|---------------------------|------|-------------------------------------|------|
| Office | Members | Executive | Non-executive | Indep. | Indep. TUF | * | # other offices ** | # other offices *** | **** | * | **** | * | **** | * |
| Chairman | Vittorio Merloni | X | | | | 20% | 0 | 1 | | | | | | |
| Vice Chairman | Andrea Merloni | X | | | | 100% | 0 | 2 | | | | | X | 100% |
| CEO | Marco Milani | X | | | | 100% | 1 | 0 | | | | | | |
| Director | Bruno Busacca | | X | X | | 100% | 0 | 0 | | | | | | |
| Director | Innocenzo Cipolletta | | X | X | | 80% | 1 | 5 | X | 80% | | | | |
| Director | Adriano De Maio | | X | X | X | 80% | 3 | 0 | | | | | X | 100% |
| Director | Luca Garavoglia | | X | X | X | 80% | 2 | 0 | | | | | X | 100% |
| Director | Mario Greco | | X | X | | 100% | 2 | 4 | | | X | 100% | | |
| Director | Hugh Malim | | X | X | | 80% | 0 | 4 | X | 100% | | | | |
| Director | Emma Marcegaglia | | X | X | | - | 1 | 13 | | | | | | |
| Director | Antonella Merloni | | X | | | 100% | 0 | 2 | X | 100% | | | | |
| Director | Maria Paola Merloni | | X | | | 100% | 0 | 1 | | | X | 100% | | |
| Director | Paolo Monferino | | X | X | | 100% | 1 | 5 | | | X | 100% | X | 100% |

Number of meetings during the reference year BoD: 5

Internal Control Committee: 5
Human Resources Committee: 3
Innovation and Technology Committee: 1

NOTES

* Directors' attendance (%) at meetings of the Board and its Committees.

** Numbers of directorships or statutory auditorships held in other companies listed on regulated markets, including foreign ones.

*** Numbers of directorships or statutory auditorships held in other financial, banking or insurance companies or other large organizations.

**** "X" means a director sits on the Committee.

**Annex 4 –
Career profiles of Statutory Auditors (standing).**

| ANGELO CASÒ |
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| <p>Born in Milan in 1940, he lives in Milan. A graduate in economics and commerce (Università Commerciale "Luigi Bocconi", Milan). Entered in the "Albo dei Dottori Commercialisti" (Register of Public Accountants), Court of Milan, since 1965. Chartered accountant since 18 February 1971 (D.M. 18.02.1971 G.U. n. 55, 3rd March 1971. "Registro dei Revisori Contabili", decree dated 12.04.1995 GURI no. 31 bis IV, serie speciale, 12.04.1995). He has been a member of the Accounting Standards Commission of the "Consiglio Nazionale dei Dottori Commercialisti e dei Ragionieri" since it was set up and is currently chairman of its Commission for "Principles of Conduct for Statutory Audit Committees". He chaired the "Fédération des Experts Comptables Europeens" (F.E.E.) from 1991 to 1993, having been its vice-chairman for six years. He was a member of the Milan Chamber of Arbitration from 1998 to 2005. He was a member of the International Auditing Practices Committee of IFAC (now the IAASB) from 1993 to 2000. He was a member of the board of IFAC (International Federation of Accountants) from 2001 to 2005. He chaired the scientific-technical committee of O.I.C. (Organismo Italiano Contabilità) from February 2004 to March 2008. He has chaired the governing body of the O.I.C. since March 2008. His sole occupation since 1965 has been that of public accountant (based in Milan).</p> |
| ANDREA AMADUZZI |
| <p>Born in Milan in 1969, he graduated in business economics at Università Commerciale "Luigi Bocconi" in Milan in 1992, having already taken a "Majeur en Control de Gestion" at the H.E.C. (Grande École Des Hautes Études Commerciales), Jouy en Josas (France) in 1991. He enrolled in the Milan Public Accountants Register in 1996 and has been a chartered accountant since 1999. He has been teaching at the department of business economics sciences SECS P/07 Business economics – Economics Faculty - Università degli Studi di Milano, Bicocca, since 2006. At the Economics Faculty of "Università degli Studi di Milano, Bicocca", he is director of the "Business Economics" section of the "Business Economics Sciences" Department, Co-ordinator of the "Business Economics Sciences" postgraduate degree course and a member of the academic board for "Business Economics and Strategy" research doctorate studies. He is also the author of numerous publications, mainly on international accounting standards and company appraisals.</p> |
| LUIGI BISCOZZI |
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