



Report on corporate governance and ownership (pursuant to art. 123-bis, TUIF)

Report at 22 March 2011 on 2010
(Ordinary management and control model)



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GLOSSARY

- **“AFC”:**
IndesitCo’s Administration, Finance and Control department;
- **“art. 150, TUIF Procedure”:**
procedure for fulfilling the obligations indicated in art. 150, clause 1, TUIF, regarding notices to the Statutory Audit committee, adopted by the Board on 20/3/2003;
- **“Board”:**
IndesitCos’ board of directors;
- **“c.c.”:**
Italian Civil Code;
- **“CEO”:**
IndesitCo’s chief executive officer;
- **“CCNLD”:**
national collective employment contract for managers in industrial companies;
- **“Chairman”:**
IndesitCo’s chairman;
- **“Code”:**
the “Corporate Governance Code for Listed Companies” adopted by the Corporate Governance Committee of Borsa Italiana S.p.A., March 2006;
- **“Code of Conduct”:**
IndesitCo’s Code of Conduct, also applying to its subsidiaries, approved by the Board on 25/3/2010;
- **“Disclosures Procedure”:**
procedure for disclosures to the market, adopted by the Board on 14/3/2001;
- **“DALs”:**
IndesitCo’s legal and corporate affairs department;
- **“DP”:**
officer charged with preparing IndesitCo’s accounting documents and financial report;
- **“External Communication”:**
IndesitCo’s External Communication and Press Office function;
- **“Financial Statements”:**
IndesitCo’s draft separate financial statements, consolidated financial statements and Annual report at 31st December 2010;
- **“GAP”:**
Group Administrative Processes function, within the AFC;
- **“Group”:**
IndesitCo and its direct and indirect subsidiaries;
- **“HRRC”:**
IndesitCo’s Human Resources and Remuneration Committee;
- **“ICC”:**
IndesitCo’s Internal Control Committee;
- **“ICS”:**
the Group’s internal control system;
- **“IndesitCo” or “Company”:**
Indesit Company S.p.A.;
- **“Investor Protection law”:**
law 262 (28 December 2005), “provisions for the safeguarding of investors and disciplining of financial markets,” as subsequently amended and integrated;
- **“Issuers’ Regulations” or “IR”:**
rules implementing the TUIF, adopted by Consob under resolution 11971 (14 May 1999) and subsequent amendments;

- **“L-TRI Plan”:**
long-term incentive and retention plan for certain Group executives;
- **“Manual”:**
the “Accounting Standards Manual” adopted by the Group;
- **“Model”:**
IndesitCo’s organisation, management and control model, approved by the Board on 25/3/2010;
- **“MTP”:**
the Group’s medium-term strategic plans;
- **“NIS”:**
Network Information System operated by Borsa Italiana S.p.A.
- **“Notices Procedure”:**
procedure pursuant to art. 152-*octies*, clause 8, IR, adopted by the Board on 23/3/2006;
- **“OdV”:**
IndesitCo’s Supervision Body pursuant to D.Lgs. 231/2001;
- **“Price-sensitive information”:**
any information (a) of a precise nature, (b) that has not been made public, (c) directly concerning IndesitCo or the Group or financial instruments issued by IndesitCo, and (d) that if made public, could appreciably affect the prices of financial instruments issued by IndesitCo. Information is deemed of a precise nature if:
 - i) it refers to a set of existing circumstances or circumstances that may be reasonably expected by occur;
 - ii) it is sufficiently specific to enable conclusions to be drawn on the possible effect of the set of circumstances or the event in i) above on the prices of the financial instruments;
 - iii) it is not available to 3rd parties in any case.
- **“Register”:**
register of people with access to Price-sensitive Information kept at IndesitCo and set up with a procedure adopted by the Board on 23/3/2006 pursuant to art. 115-*bis*, TUIF, and relative regulations;
- **“Report”:**
this report on the corporate governance and ownership structure;
- **“RC”:**
the HRRC restricted to the Committee’s independent director members and the Chairman of the Statutory Auditors or other Standing Auditor;
- **“RPT”:**
Related Party Transaction as defined in the RPT Regulation;
- **“RPT Committee”:**
the board of directors’ committee, comprising three independent directors, set up to carry out the activities required by the RPT Procedure;
- **“RPT Procedure”:**
procedure for carrying out RPTs, drawn up in accordance with the RPT Regulation and adopted by the Board on 29/10/2010;
- **“RPT Regulation”:**
Consob regulation 17221, dated 12/3/2010, on RPTs, as modified by Consob under Resolution 17389, 23/6/2010, and subsequent amendments, additions and interpretations;
- **“SDC”:**
IndesitCo’s Strategic Development Committee;
- **“Shareholders’ Meeting”:**
a meeting of IndesitCo shareholders;
- **“SHRD”:**
Legislative decree 27/2010 and other provisions of law and regulations governing the exercise of certain rights of shareholders of listed companies; assimilates Directive 2007/36/CE (*Shareholders’ Rights Directive*);
- **“SP”:**
IndesitCo’s Supervision Body;

- “Statutory Auditors”:
IndesitCo’s Statutory Audit Committee;
- “Subsidiary”:
any company controlled by IndesitCo, including indirect companies, pursuant to art. 2359 Italian civil code;
- “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;
- “Transactions Procedure”:
procedure for carrying out significant transactions and related party transactions, adopted by the Board on 20/3/2003;
- “Website”:
www.indesitcompany.com.

INTRODUCTION

The Group headed by IndesitCo, founded in 1975 and listed on the Milan stock exchange since 1987, is one of Europe's leading manufacturers and distributors of large home appliances (washing machines, washer-dryers, dishwashers, fridges, freezers, cookers, hoods, ovens and hobs). It is the undisputed leader in major markets such as Italy, the UK and Russia. The Group turnover was around €2.9 billion in 2010. The Group has 16 production facilities (in Italy, Poland, the UK, Russia and Turkey) and around 16,000 employees. The Group's main brands are Indesit, Hotpoint and Scholtès.

* * *

This Report ¹ was approved by the Board meeting on 22 March 2011. Its purpose is to provide a full description of the corporate governance model adopted by the Company at 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.

IndesitCo's corporate governance system is substantially in line with the principles set forth in the Code. The second part of the Report illustrates current compliance with the provisions of the Code (which represents best practice in Italy in this matter) and also explains the reasons for the departures (only a limited number) 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 Report's glossary.

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

PART ONE – CORPORATE GOVERNANCE SYSTEM

1. General principles

As stated, 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;
- improve the ICS;
- guaranteed transparency in financial communication for the market.

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

- the majority of the Board are independent directors pursuant to the Code;
- the Company is not subject to “direction and co-ordination” (as defined in art. 2497 — and subs. c.c.) by any other company ²;
- there is 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 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. The HRRC also 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 organisation and the management’s development plans).

IndesitCo’s key corporate governance documents are:

- its By-laws;
- the rules disciplining Shareholders’ Meetings;
- the Disclosures Procedure;
- the RPT Procedure;
- the Procedure pursuant to art. 150, TUIF;
- Code of Conduct;
- Notices Procedure;
- Procedure for setting up and keeping the Register.

In the definition of the corporate governance system until the date of this Report, IndesitCo was not affected by regulatory requirements in other countries where the Group operates.

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 (Company → Corporate Governance).

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.

2. Disclosure pursuant to art. 123–bis, TUIF — Report on the corporate governance and ownership structure

Clause 1

a) Share capital

At 31 December 2010, IndesitCo's share capital subscribed and paid in amounted to €102,759,269.40 divided into 114,176,966 shares of par value €0.90 each of which:

	No. shares	%	Listed on	Rights and obligations
Ordinary shares ⁵	113,665,684	99.55	Borsa Italiana S.p.A. telematic market	Shares are registered 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 convertible 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 5.3 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.

5. Under the stock option plan for Group executives and middle managers, there are 269,500 exercisable stock options, as of today, entitling beneficiaries to receive said number of ordinary shares, thereby causing an increase in the share capital. The Report shall in any case state the share capital as of 31 December 2010.

b) Restrictions on transfer of securities

There are no statutory restrictions on the transfer of securities.

c) Significant shareholdings

On the basis of disclosures made pursuant to art. 120 TUIF, as integrated by information lodged prior to Shareholders' Meetings ⁶, the following are significant shareholdings as of the date of the Report:

Name	Type of ownership	Number ordinary shares	% ordinary	% voting rights
Vittorio Merloni	Direct	1,338,300	1.177	1.304
	Indirect through Fineldo S.p.A.	46,214,085	40.658	45.032
	Indirect through Franca Carloni, Wife	254,840	0.224	0.248
	Total	47,807,225	42.060	46.584
Ester Merloni	Direct	5,042,400	4.436	4.913
	Indirect through Fines S.p.A.	7,415,190	6.524	7.225
	Total	12,457,590	10.960	12.139
Maria Cecilia Lazzarini	Direct	1,653,000	1.454	1.611
	Life interest in Claudia Merloni shares *	1,492,346	1.313	1.454
	Life interest in Maria Francesca Merloni shares	131,354	0.116	0.128
	Total	3,276,700	2.883	3.193
Claudia Merloni	Direct	2,294,611	2.019	2.236
	Bare ownership — life interest to Maria Cecilia Lazzarini *	1,492,346	1.313	
	Total	3,786,957	3.332	2.236
BlackRock Inc.	Indirect	2,282,113	2.008	2.224
Treasury shares		11,039,750	9.712	
Float		34,507,695	30.359	33.625
Total		113,665,684	100	100

* Shares counted only once in calculating TOTAL and TOTAL percentage.

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.

6. Updates may be seen on the website.

f) Restrictions on voting rights

None.

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

None.

h) Change of control clauses

Within the sphere of normal business, the Company and its Subsidiaries 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:

- the US\$330 million bond loan contracted in September 2004 on the American market by the subsidiary Indesit Company Luxembourg S.A., secured by IndesitCo;
- the €350m multi-currency revolving loan agreed in July 2006 by a number of Group companies, secured by IndesitCo; and
- the securitisation programme concluded in May 2010 by IndesitCo and the subsidiary Indesit Company France S.a.s., involving an overall amount of *asset backed securities* placed with 3 party investors of €100.4 million;

have clauses obliging the Company in the case of a change in the majority shareholder of IndesitCo or its Subsidiaries to notify the counterparties, and entitling the latter to terminate or withdraw from the agreements.

i) Directors' indemnity in the event of resignation, dismissal not for just cause or termination of relationship following a takeover bid

Given the fundamental link between the employment relationship (managerial) binding Marco Milani and the Company and the offices of director and CEO that he holds, the Board decided, when renewing his directorship for the 2010-2012 period, to adopt a proposal by the HRRC and enter a framework contract with Milani under which the supplementary indemnity due to him pursuant to art. 19, clauses 15 and 16, CCNLD, also applies in the case of resigning from his management employment relationship for a just cause as allowed by law, ie. in cases of resignation within sixty days of the occurrence of one or more of the following conditions excluding contingent incapacity to perform:

- i) early revocation (or forfeiture not for just cause) of the office of director and/or CEO of the Company not followed up within the subsequent 40 days of said revocation/forfeiture by conferral of the same posts on the same conditions (remuneration, duration and range of powers);
- ii) significant reduction of powers and authority currently invested in the CEO to an extent that substantially affects such office and role, ie. should he be prevented from effectively exercising the powers and authority invested in him.

In such cases, the supplementary indemnity is fixed in an amount no less than the maximum allowed by the CCNLD at the time of agreeing the framework contract.

Said indemnity, together with severance indemnity and any indemnity in lieu of notice (provided for in the CCNLD), shall be calculated by summing the following: fixed remuneration, equivalent value of benefits, average of MBO amounts received over the last three-year period, and the average of amounts received over the last three-year period, or in any shorter period in the case of maturity of rights to payment of cash amounts, arising from participation in the L-TRI Plan.

The stipulated framework contract does not provide for, and therefore there are no:

- agreements concerning assignment or maintenance of non-cash benefits;
- stipulation of consultancy contracts for the period following discontinuation of the employment relationship;
- no-competition commitments and relative remuneration;
- indemnity in the case of a take-over bid.

No type of indemnity is contemplated for the other directors.

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

The Board ⁷ is appointed on the basis of lists submitted by shareholders who together represent at least the legal percentage (2% as per Consob Resolution 17633, 26/1/2011, on the minimum percentage shareholdings for submission of lists of candidates for election to offices of administration and control whose financial year closed on 31/12/2010). Lists must be filed with the Company's registered office at last twenty-five days before the date fixed for the 1st call Shareholders' Meeting.

Documents adequately illustrating candidates' professional and moral standing must be filed, among the others, along with each list.

All shareholders that present a list, on their own account or with others, must provide a declaration stating under their own responsibility that they are in not related ⁸, even indirectly, in any of the ways indicated in art. 147-ter, clause 3, TUIF, and art. 144-quinquies RE, with shareholders that individually or jointly hold a controlling interest or relative majority.

Directors are appointed as follows:

- i) one director is taken from the list obtaining the most votes after the list indicated in ii) hereunder;
- ii) 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 ii) above. Regarding the method described above, lists that do not obtain a minimum percentage of votes of half the percentage required 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/she 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 c.c. 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.

Under art. 20 of the By-laws, the Board may adopt resolutions that modify the provisions of the By-laws and Shareholders' Meeting rules. The Board's power to adopt such resolutions does not affect the primary authority of the Shareholders' Meeting, which maintains its power to resolve such matters.

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 c.c., unless for the purposes of the stock-option plans indicated under section 5.3, Part Two, nor can it issue participatory financial instruments.

The Shareholders' Meeting called to approve the financial statements must also vote on authorisation for the Board to acquire own shares pursuant to art. 2357 and subseq. c.c. ⁹. The last resolution granting such authorisation was voted on 29/4/2010 for a period of twelve months.

The number of treasury shares held at the close of the 2010 was 11,039,750, equal to 9.67% of the total subscribed and paid up share capital.

7. This paragraph illustrates the appointment of directors in light of the DSHR and the consequent modifications to the By-laws approved by the Company.

8. As defined in art. 14 of the By-laws and art.144-quinquies RE.

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

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: 6.2 (The *Internal audit* function and the Internal Control Officer), 7 (The Internal Control Committee), 9 (Treatment of Price-sensitive Information), 15 (The Officer charged with drafting the Company's accounting and corporate documents). On the "Main characteristics of the existing risk management and internal control systems in relation to the financial reporting process", see Annex 1 to this Report.

c) Shareholders' meetings procedures

See 10.3 (Shareholders' meetings and Rules).

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

See sections 1 (Board of directors), 4 (Human Resources and Remuneration Committee), 6 (Internal Control System), 7 (Internal Control Committee), 11 (Statutory Audit Committee).

3. New developments in 2010

In 2010, the Group was engaged in the following corporate governance activities:

- implementation of DSHR;
- modifications for compliance with RPT regulations;
- review of all governance procedures to co-ordinate them with the RPT Procedure, adjust them to actual changes in the Company's governance and improve their application in the light of experience;
- review powers and authority structure following renewal of the company officers.

Meeting on 25/3/2010, the Board approved the new version of the Code of Conduct. Said Code sets forth the Company's own ethical principles as well as containing guidelines concerning behaviour that may constitute commission of the offences indicated in Legislative decree 231/2001.

4. Plans for 2011

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

- adjustment to the new regulations on disclosure of top management emoluments in light of art. 123-ter, TUIF, introduced by Legislative decree 259/2010;
- new foreign legislation on corporate liability;
- eventual review, if any of procedures for adjusting to the DSHR in view of successive regulatory developments.

There have been no significant changes to the Group's governance system since the end of 2010.

5. Company organisation, management systems and chain of responsibility

The Company's management and control model is "ordinary" (as required by the Italian civil code), ie. based on a board of directors, a Statutory Audit Committee and a Independent auditors. These bodies are elected by the shareholders and hold office for three-year periods (except for the Independent auditors which 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 other stakeholders, as well as a wide base for board room discussion.

The Board has set up four committees, the HRRC and the ICC, with roles and functions as per the Code, and the RPT Committee and the SDC, whose roles and functions are described in the second part of the Report.

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, "MTP", industrial plan) drawn up by the CEO;
- periodically checks the adequacy of the organisation¹⁰, administration and general accounting structures of the Company and its strategic subsidiaries¹¹, 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 operations defined as "significant" on the basis of the procedure disciplining such operations, 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 complying with the RPT Procedure (on this point, see the next section and section 8);
- supervises the conduct of business in general, 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 ICS; 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 ICS 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 a need to include given categories of professional on the Board;
- confers and revokes powers assigned to executive directors and defines the limits, procedures and frequency (usually at least quarterly) with which such directors must report to the Board on activities carried out in exercising the powers conferred on them;
- fixes the remuneration of executive directors and those of them with special tasks, as per art. 2389, clause 2, c.c., 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 HRRC and having consulted the statutory auditors;
- in view of the 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.

10. The organisational structure is also assessed in relation to the results of the annual *Human Resources Review* by the HRRC, on which its chairman reports to the Board. Regarding 2011, the assessment was carried out by the HRRC on 21/1/2011 and the HRRC chairman reported to the Board on 11/2/2011.

11. Meeting on 22/3/2011 to assess the adequacy of the organisational, administrative and accounting structure, the Board identified the following (direct or indirect) subsidiaries as "strategically relevant": CJSC Indesit International, OOO Indesit Rus, Indesit Company Polka Sp.zo.o. and Indesit Company UK Ltd.

The Board currently in office was appointed by the Shareholders' Meeting on 29/4/2010¹² and has eleven directors¹³, whose term of office expires with the Annual General Meeting to approve the financial statements as of 31 December 2012. The Board appointed two of its members as executive directors, who are invested, in accordance with the By-laws, with the powers contemplated in art. 2381, c.c.; they are: Andrea Merloni (Chairman) and Marco Milani (CEO). The remaining nine directors are non-executive, some of whom are independent as defined by both the Code and art. 148, clause 3, TUIF: Valerio Battista (independent), Francesco Caio (independent), Innocenzo Cipolletta (independent), Paolo De Cesare (independent), Mario Greco¹⁴ (independent), Aristide Merloni, Antonella Merloni, Maria Paola Merloni and Paolo Monferino (independent).

The current Board was appointed on the basis of a list presented by the shareholder Fineldo S.p.A., from which a total of ten directors were elected, and a list presented by the shareholder Fines S.p.A., from which one director was elected, in the 15 days prior to the date of the 1st call Shareholders' Meeting¹⁵.

Career profiles of all the directors and a list of posts they held as of 31/12/2010 in other listed, financial, banking or insurance companies or other large concerns, are detailed in Annex 2). Further information on the structure of the Board can be found in Annex 3).

Meeting on 26/10/2006, the Board decided that five administration or control posts in other listed companies should be the maximum considered compatible with effective performance as a company director. All the directors are currently within said limit.

A majority of the Board (six out of eleven) is made up of independent directors, who under the rules of corporate governance are so deemed because:

- a) they are not directors of Subsidiaries, or of the company that controls IndesitCo or those subject to the same control as the latter;
- b) 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 control of or considerable influence over it may be exercised;
- c) 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 common 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;
- d) they are not, nor in the previous three years have been, employees of any of the aforementioned subjects;
- e) they do not receive from the Company or any of its Subsidiaries or parent company, nor have done in the last three years, any significant additional remuneration¹⁷ over and above their "fixed" emoluments as non-executive directors of the Company or members of any of the Board's internal committees, including participation in the performance-linked incentive schemes, including stock options;
- f) they have not been Company directors for more than nine out of the last twelve years;
- 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 organisation belonging to a network of the company retained by the Company to carry out audit its accounts;
- i) they are not spouses or close relatives up to the 4th degree of any person who is in any of the circumstances indicated above;

12. Prior to that date the Board included Vittorio Merloni (Chairman), Andrea Merloni (vice-chairman), Marco Milani (CEO), Bruno Busacca (independent), Innocenzo Cipolletta (independent), Adriano De Maio (independent), Luca Garavoglia (independent), Mario Greco (independent), Hugh Malim (independent), Emma Marcegaglia (independent), Antonella Merloni, Maria Paola Merloni and Paolo Monferino (independent).

13. The By-laws require the board to be made up of at least five and no more than thirteen directors.

14. Nominated by the minority shareholder Fines S.p.A.

15. The DSHR changed the term to twenty-five days before the meeting but such new term applies to meetings whose notice of meeting was published after 31/10/2010.

16. "Major exponent" of a company or other organisation means chairman, legal representative, executive director or manager 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.

- j) they are not related to IndesitCo or the Subsidiaries or companies that control it or are subject to the same control or to the directors or Statutory Auditors or to any of the subjects in the previous points by employment or self-employment contracts or other financial or professional relationships that would compromise independence;
- k) they do not, and in the previous year did not, have any significant commercial, financial or professional relationship, whether direct or indirect (eg. through subsidiaries or companies of which they are key officers or partners in consultancies) with:
 - i) IndesitCo, a Subsidiary or any of their key management personnel;
 - ii) a subject who singly or with others through shareholders' agreements controls IndesitCo, or — in the case of companies or other organisations — with their key management personnel;
 - iii) and are not, and in the last three years have not been, employees of any of the aforesaid subjects.

Such requisites of independence were reviewed in Board meetings on 25/3/2010, regarding the requisites of the previous Board members and 29/4/2010 and 22/3/2011 regarding the new Board. The assessments were made on the basis of documentation provided by the independent directors themselves.

In 2010 there were seven meetings. Attendance by directors was regular¹⁸. At least six meetings have been scheduled for 2011¹⁹. Board meetings (each lasting around three hours) are planned on the basis of a calendar approved at the end of the previous year, to facilitate maximum participation of directors and Statutory Auditors²⁰.

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 operations are usually dealt with in more than one board meeting.

On 29/10/2010, 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. The independent directors also decided not to appoint a lead independent director, since they agreed that (a) they are involved in the workings of the Company in a very active and proactive way and also participate in various of the Board's internal committees, and (b) all the independent directors, partly by virtue of their limited number, have sufficient direct working relationships with the executive directors and the top management and need no further liaison.

Meeting on 29/10/2010, the Board decided to carry out a self-assessment of its activities²¹ and charged the chairman of the Statutory Auditors to collect the relevant forms and communicate the results on an aggregate and anonymous basis²².

The results of the self-assessment were illustrated at the meeting on 11/2/2011 and showed, in line with the Company's commitment to excellence in corporate governance, 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 majority shareholder. Such activity also enabled the Board to hear some practical suggestions on how to optimise the effectiveness of its operation.

The results of the self-assessment endorsed the extremely positive judgement that all the directors, and especially the independent ones, expressed on the structure and workings of the Board, above all in connection with the role and impact of the independent directors in both board and internal committee meetings and with the promptness and precision of market disclosures.

The Board also took note of the efficacy of developments following the previous assessment by an external expert: the Board's new make-up, in fact, reflects the results of the 2009 board review, which signalled the advisability of more commercial and marketing experience on the Board.

At the meeting on 22/3/2011, the Board reviewed the Group's organisational, 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.

18. Overall attendance at meetings of the previous and current Boards was 69.23% and 88.64% respectively, attendance by independent directors was 87.50%.

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.

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. In 2009, the assessment was carried out by an independent 3rd party.

As required in the “art. 150, TUIF Procedure”, the CEO reports on a quarterly basis to the Board and the statutory auditors on the exercising of powers, providing sufficient information on operations and in particular on any transactions carried out in the exercise of such powers that are atypical or unusual.

Lastly, the Board reports to Shareholders Meetings via the Chairman.

Meeting on 30/4/2008, the Board had appointed Andrea Merloni to the office of Company Vice-chairman, empowered to stand in for the Chairman as provided for in the By-laws. The Board subsequently assigned other functions to the vice-chairman ²³. With the appointment of the new Board in April 2010, neither the shareholders meeting nor the Board saw it fit to appoint a Vice-chairman.

The Board appointed on 29/4/2010 decided not to form a new Innovation and Technology Committee (created in 2004 to guide Group strategies and investments for the development of the innovation process and undertake all necessary actions to spread the culture of innovation throughout the Group).

In its meeting on 29/10/2010, the Board decided, partly on the basis of the results of the 2009 Board review, to set up a new internal committee, the SDC, to provide the Board with consulting and proposals regarding development options in the Group’s strategic scenarios. Said Committee is formed by the Chairman, the CEO and independent directors Paolo Monferino and Francesco Caio.

In the same meeting, the Board also appointed an RPT Committee and assigned it the tasks provided for in the RPT Procedure (approved at the same meeting) ²⁴.

1.2 Board of Directors’ powers

In addition to the responsibilities attributed exclusively to it under art. 2381, c.c., and the By-laws, the Board reserved the following powers within its exclusive reserve ²⁵:

- acquisition, sale or other operations that in any way affect the availability of investments included under non-current financial fixed assets or of companies or company divisions, properties and/or other assets/ investments stated under non-current assets where the value of a single operation is over €25 million;
- application to banks and insurance companies to underwrite in the name of the Company personal guarantee and/or collateral in favour of 3rd parties for periods of over 18 months and in excess of €50 million;
- underwriting/issue in the name of the Company of personal guarantee and/or collateral in favour of 3rd parties for periods of over 18 months and in excess of €50 million if the country risk is higher than EU level;
- contracting loans (in whatever form) for periods of over 18 months in excess of €50 million;
- disbursement of gratuitous grants to initiatives of a cultural, artistic, social or humanitarian nature of over €50,000 per contribution.

The powers provided for by the RPT Procedure are also the reserved to the Board.

23. See the 2009 Report on Corporate governance and ownership structure.

24. See section 8.

25. Over the previous 3-year period, the Board modified both the powers initially reserved to it by the resolution voted in May 2007 and those attributed to the Chairman, Vice-chairman and CEO. Such modifications were voted on 11/2/2009 and 30/7/2009. For further details, see the 2009 Corporate governance and ownership Report.

2. Chairman

The Chairman is the legal representative of the Company and represent it in its relationships with institutions and the media. He promotes the Company's corporate image and makes sure that programmes under implementation are adequate. External communication, Corporate Social Responsibility and Internal audit function report to the Chairman.

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, together with the CEO, Group strategies to put before 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 moral and motivation of employees (also through meetings in Company plants);
- participates in the selection of new personnel for posts reporting directly to the CEO;
- is consulted by the CEO ahead of any creation, modification or elimination of organisational posts reporting directly to the CEO;
- shapes the long-term strategies within which MTPs 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.

Lastly, the Chairman is the executive director in charge of overseeing the operation of the ICS. In this role, the Chairman:

- sees that the main business risks in relation to the characteristics of the business carried on by the Company and the Group are identified and periodically reports to the Board on same;
- orders implementation of the guidelines defined by the Board and oversees the design, implementation and management of the ICS, and constantly monitors its overall adequacy, effectiveness and efficiency;
- provides for the modification of such system in response to changing operating conditions and new legislation and regulations;
- submits proposals to the Board for the appointment, revocation and remuneration of one or more internal control officers.

Meeting on 29/4/2010, the Board invested in the Chairman certain powers (under sole signature or jointly with the CEO) relevant to the corporate and strategic responsibilities associated with his role.

The Chairman is empowered on an exclusive basis to make disbursements of gratuitous grants to initiatives of a cultural, artistic, social or humanitarian nature of up to €50,000 per contribution/year.

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. 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 for the Chairman or the 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;
- ensures that the organisational, administrative and accounting structure is always adequate for the nature and size of the enterprise;

- implements the Board's resolutions and decisions within the business organisation;
- ensures that the Company is managed efficiently and transparently and works with the Chairman to define action plans for the Internal Audit function;
- 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 integrations);
- 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 operations in progress;
- he also has all the operating powers (except those strictly reserved for the Board), which he exercises under sole signature except for those of strategic importance requiring joint signature with the Chairman.

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 Investor Protection law and the correspondence of such documents with the accounting records and their capacity to provide a true and fair view of the Group's financial position results of the operations and cash flow situation.

4. Human Resources and Remuneration Committee

The current HRRC was set up on 29/4/2010 and comprises:

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

On the aforesaid date, the Company decided to assign to it other more onerous tasks in addition to the functions provided for in the Code for the Remuneration Committee. The HRRC, in fact:

- 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 top managers in 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 CEO and makes general recommendations to the Board on such matters;
- monitors the state of the organisation and management development plans and signals any action to take;
- in addition to the roles 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 HRRC met three times in 2010 (88.89% 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:

- definition of a proposal to submit to the Board regarding the remuneration of the Executive Directors and the Honorary Chairman;
- assessment of the Group's performance in 2009 and of attainment of the corporate objectives in the 2009 MBO;
- definition of the incentive scale for executive directors' and top management's MBO for 2010;
- assessment of the new long-term retention plan for the management (L-TRI);
- modification of internal rules for compliance with the new art. 7 of the Code.

In particular, the HRRC 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 for adjusting to international best practice in this field.

In 2010 and January 2011²⁶, the HRRC carried out its annual assessment of the adequacy of the organisational structure and of the management succession plans within the framework of the *Human Resources Review*. The latter is an annual activity involving the Chairman, CEO and the Group's top management and focussing on management development and turnover plans and review of the adequacy of human resources 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 HRRC always accompanies its proposals for performance-linked remuneration with comments on the related objectives and evaluation criteria.

The HRRC is allocated an annual budget for the carrying out of its activities and engages consultants to provide information on market standards for remuneration systems. The HRRC 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 HRRC has a set of internal rules, requiring, among other things, quarterly meetings (at least) and the drawing up of minutes of meetings.

Whenever the HRRC has to resolve matters concerning the remuneration of the executive directors, it holds a meeting restricted to the independent directors and the chairman of the Statutory Auditors, as required since 29/4/2010 under the new text of art. 7 of the Code, and thus carries out the functions ascribed to it by the Code for the Remuneration Committee. In this format, the RC has the task of expressing the opinions on remuneration provided for in the RPT Procedure (see section 8 hereunder).

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

5.1 Appointment and remuneration of directors

In compliance with the Investor Protection Law, the Shareholders' Meeting wrote into the By-laws (art. 14) a provision for list voting of directors and the obligatory filing of lists fifteen days before the date of the Meeting. Said term was subsequently lengthened to twenty-five days before the Meeting in line with the SHRD²⁷.

The Company does not have an Appointments Committee because the shareholders have never had any difficulty in producing lists of candidates independently. Also regarding lists submitted for appointments to the Board for the 2010-2012 three-year period, prior selection of candidates by the majority shareholder and minority shareholder ensured that candidates had the requisites of expertise and professionalism for the post and resulted in a composition of the Board in line with the indications of the 2009 Board review.

If the Meeting authorises a departure from the prohibition against competition in art. 2390, c.c., 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 documented fees pursuant to art. 2389, c.c.

Directors' remuneration is high enough to attract and motivate people with the qualities and capabilities needed to run the Company successfully. The remuneration of non-executive directors is geared specifically to the work each of them does, including participation in committees, and is in no way tied to the financial results of the Company or the Group. On 29/4/2010, the Board determined the division of the overall emoluments of its members, since the Shareholders' Meeting, on appointing the Board, had only indicated the amount due to the entire Board.

26. In 1st quarter 2011, the HRRC was also engaged in the following activities: i) assessment of the Group's performance in 2010 and of attainment of the corporate objectives in the 2010 MBO and ii) definition of the incentive scale for executive directors' and top management's MBO for 2010.

27. See note 15 above.

Each director is paid an attendance fee (€10,000) for each board meeting he or she attends. Directors sitting on the HRRC and ICC receive an extra €20,000 a year, while the chairs of said committees receive an annual extra of €25,000. Directors on the RPT Committee receive an extra fee of €10,000, while the Chairman of said Committee receives an annual extra of €15,000. Non-executive directors on the SDC are paid an annual extra of €15,000. All such fees in any case fall within the global remuneration of the Board voted by the Shareholders' Meeting.

5.2 Remuneration of executive directors and top management

A significant portion of the remuneration of executive directors (Chairman and CEO) and top managers in the Group ²⁸, depending on positions and roles, is in the form of emoluments tied to achievement of financial results 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 HRRC as advised by the CEO, while for other beneficiaries they vary from function to function and in any case include indicators of business performance by the Company or specific functions/sectors ²⁹.

Since 2009, a select number of managers has been participating in the L-TRI Plan, a long-term retention plan based on the accumulation of a sum equal to the MBO paid out annually ³⁰: 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 consults the HRRC and the Statutory Auditors and then fixes their emoluments upon appointment, while on approving the consolidated financial statements for each year and the annual budget it checks whether annual objectives have been achieved and fixes the incentive scale for the new year.

The emoluments paid to directors are detailed in a table attached to the financial statements, while the remuneration paid to executives with strategic responsibilities is indicated, in the same table, on an aggregate basis.

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

5.3 Stock option plans for Group company employees (executives and middle managers)

The Company was one of the first listed companies to adopt stock options plans 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;
- executives and middle managers.

All the stock option plans for directors have already terminated, while in the case of executives and middle managers no new allotments have been made since 2003. The financial statements have a table detailing the stock option plan for executives and middle managers of the Group over the years.

Further details on stock option plans may be found in previous corporate governance reports and in the Notes to the Financial Statements (9.19).

28. The Board allows executive directors the emoluments recognised for their office by art. 2389, clause 3, c.c.

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

30. For the CEO and a limited number of executives, such sum is twice the amount paid for MBO.

5.4 General policy for remuneration of executive directors or directors with special posts and executives with strategic responsibilities

Regarding the modification of art. 7 of the Code, which provides for (1) definition by the Board upon proposals by the HRRC of a general policy for the remuneration of executive directors or directors with special posts and executives with strategic responsibilities and (2) submission to the Shareholders' Meeting of a report illustrating such policy (issuers are invited to comply in 2011), the Company believes that such policy guidelines are set forth in the preceding sections of this Report, which was made available to the shareholders before the date of the Shareholders' Meeting, and that it is not at present necessary to produce a separate document. In the current year, the Company will move into line with the provisions of art. 123-ter, TUIF, introduced by Legislative decree 259/2010.

6. Internal Control System

6.1 Introduction

The ICS is a set of rules, procedures and organisational 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. Effective internal control thus helps to defend the Company's assets and ensure the efficiency and effectiveness of its business operations, the reliability of its financial reporting and compliance with laws and regulations.

The ICS is in line with the Code and the most recent developments in governance and embodies the principles of the main international models. In particular, the Board is responsible for the ICS, it provides 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:

- unambiguousness 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 on-line controls built into operating processes to minimize risks ³¹;
 - 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 ³²;
 - 3rd level — providing independent assessments of the design and operation of the ICS as a whole through systematic and professional action ³³;
 - an integrated and homogeneous approach to the management and assessment of aspects of ICS design and operation, thus guaranteeing consistent judgement by all parties involved;
- exhaustive and transversal risk assessment ³⁴: this avoids the dangers of partial approaches to specific organisational fields or single legally relevant issues, thus covering significant critical situations across the whole organisation;

31. Procedural, IT, financial and compartmental 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.

32. This level includes the *Compliance* function (DALS), GAP (Group Accounting Dept.), which focuses on management and application of rules and procedures ensuring conformity with 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 and Quality & Process Improvement function (Quality-Environment Dept.).

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

34. 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.

- assurance mechanisms: these are required to ensure continual alignment of the ICS'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 organisational functions and individual positions which might compromise integrated risk control.

The ICS's main instruments, in addition to the system of assignment of powers, are the Code of Conduct ³⁵, the Model ³⁶ 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 the Investor Protection law (also definable as the "Internal control system for financial reporting") ³⁷.

6.2 Internal audit function and internal audit manager

In line with the definition of the "Institute of Internal Auditors", the 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:

- 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*);
- development of the *audit plan*, identification of critical issues and areas for improvement in 1st and 2nd level control and discussion on corrective actions with operating management;
- monitoring of timings agreed for implementation of corrective actions and their efficacy (*follow-up*);
- 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 (also given that the Chairman is the executive director overseeing the working of the ICS) and does not therefore report to the head of any operating department.

The internal control manager reports to the Statutory Audit Committee and the ICC (at least quarterly) and to the Chairman in his capacity as executive director charged with supervising the ICS on, among other things, activities carried out, and therefore on risk management, compliance with risk management plans and assessment of the adequacy of the ICS 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 assigned to him/her (also in terms of numbers and professional qualifications of employees).

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 2010, the main activities carried out by the Internal Audit function were as follows: (i) completion of activities to update the Model and review the Code of Conduct; (ii) supporting the AFC 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 2010 audit plan, covering, among other things, operating audits in certain Italian plants, a number of financial audits in Turkey, France and the UK, and "business ethics audits" on certain Subsidiaries, (iv) finalization of an inter-departmental project to improve the disciplining of accesses to the SAP information system for the purposes of segregation of tasks (assigned to Ernst&Young in December 2010), and (v) participation in a project to review the processes of authorization/control and methods of booking discounts allowed to the network (post-invoice discounts).

35. See section 13.

36. See section 13.

37. For a full description of the financial reporting control system, see Annex 1.

7. Internal Control Committee

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

- Innocenzo Cipoletta (chairman and independent director).
- Francesco Caio (independent director);
- Antonella Merloni ³⁸.

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.

Through the ICS, the Board ensures that its assessments of and resolutions on the ICC, the approval of financial statements and interim reports and relationships between the Company and its external auditors are supported by adequate preparatory work.

In particular, the ICC has the following functions:

- it performs checks on the ICS in line with the strategies adopted by the Board and in this context it also proposes modifications to the system;
- it evaluates the work plan drawn up by the Internal Audit department, from which it receives periodical reports;
- it evaluates proposals from the Independent Auditors firm regarding their engagement, their audit plans and the results presented in their reports and any letters of recommendation;
- it monitors the efficiency of the audit system;
- together with the “DP” and Independent Auditors, it evaluates use of the accounting standards adopted and their consistency for the purpose of drafting the consolidated financial statements;
- 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;
- it formulates recommendations and opinions to submit to the Board to assist it in its decisions;
- at the 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;
- it periodically assesses progress in audit activities with respect to plan, thus providing constant monitoring of and guidance for such activities and collects all the information needed to assess the ICS.

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;
- minutes of meetings are kept in an authenticated register whose confidentiality is ensured.

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, to which end it may also hire external consultants within the limits of the approved annual budget. In 2010, the ICC met four times (attendance was around 92%) and its work included, among other things, reviewing the Internal Audit’s annual plan, recommending control activities and giving an opinion of the drafting of the RPT Procedure, subsequently approved by the Board.

Given the complementary nature of matters dealt with and the subjects invited to report to these meetings, all the meetings of the ICC in 2010 were held jointly with the Statutory Audit Committee compatibly with specific responsibilities and functions.

The ICC and the Statutory Audit Committee agreed that the coming into force of Italian legislation assimilating Directive 2006/43/EC on the legally required audit of accounts does not relieve the ICC of its tasks and that in this area too the ICC continues to provide preparatory work for the Board.

38. Members prior to 29/4/2010: Hugh Malim (chairman and independent director), Innocenzo Cipoletta (independent director) and Antonella Merloni.

8. Related party transactions

Meeting on 29/10/2010, the Board ³⁹ in accordance with the RPT Regulation approved the new RPT Procedure that replaced the one adopted on a voluntary basis in line with the recommendations of the Code in 2003. The new procedure was published within the terms required by the Regulation and came into force on 1/1/2011. The Procedure:

- contains the rules on RPTs adopted by the Group to ensure the transparency and substantial and formal fairness of such transactions carried out by IndesitCo, directly or through its Subsidiaries;
- defines the decision making powers, obligations to justify transactions, information flows (both preliminary and updates on actual implementation) and the transparency profiles attaching to the implementation of RPTs;
- endorses the central importance of the Board in the Group's corporate governance system, as well as the role of the RPT Committee in ensuring that RPTs are always carried out in the interest of the Company and under economically acceptable and substantially fair terms.

The RPT Procedure makes a distinction between transactions “of greater importance” and “of lesser importance”, transactions through Subsidiaries and remunerations.

In the case of transactions of lesser importance and transactions through Subsidiaries, the RPT Procedure's rules are stricter than those in the RPT Regulation in terms of approving RPTs. The following, in fact, must all be approved by the Board:

- financial transactions involving assets or liabilities;
- acquisitions, disposals and other transactions which in any way affect the availability of investments included in non-current financial assets of companies or business unit, real estate and/or other tangible and/or intangible assets recognised and/or which may be recognised under non-current assets, in which the value of the single transaction is over €10m;
- application to banks and insurance companies for and the underwriting/provision by Group companies of personal guarantees or collateral and/or other forms of binding support in favour of RPs other than Group companies;
- any other transaction in general, where the value involved is more than or equal to €2m or €10m as an annual aggregate;
- transactions not carried out at arm's length or that are atypical or unusual;
- RPTs on which the RPT Committee has expressed a negative opinion.

The Board set up an Internal Committee of three independent directors Paolo Monferino (chair), Valerio Battista and Paolo De Cesare to approve, apply, monitor and modify the RPT Procedure. If an RPT involves the remuneration of an executive with strategic responsibilities, the functions of the RPT Committee are carried out by the RC.

The Statutory Audit Committee monitors the compliance of the RPT Procedure with current law and its fairness and application, reporting thereon to the Shareholders' Meeting pursuant to art. 2429, clause 2, or art. 153, TUIF.

Details of RPTs carried out in 2010 can be found in the notes to the Financial Statements.

9. Treatment of Price-sensitive Information

Disclosure to the public domain of documents and information regarding the Company and the Group, and especially Price-sensitive Information is disciplined by the Disclosures Procedure ⁴⁰.

39. Before examination and approval by the Board and an opinion delivered by the ICC, the RPT Procedure was examined and unanimously approved by a committee of all the independent directors (Battista, Cipolletta and De Cesare).

40. 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 legislation.

The executive directors are charged with the task of making sure that such information on the Company and Subsidiaries 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 External Communication in the manner indicated in the procedure itself.

External Communication is in continual liaison with AFC and DALs 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 the disclosure of facts or news necessary, and if it is, ii) 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 circuit and published on the Website in the manner required by the relevant legislation.

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

- information on quantitative forecasts and targets relating to business performance;
- provisional accounting figures and preliminary results for the period to be presented in the Group separated, consolidated financial statements and interim and quarterly financial 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 duties ⁴¹. They must not abuse their privileged access to information, which is prohibited by current legislation, and are under obligation to abide by the Disclosures Procedure for external communication of such documents and information.

Regarding internal management of Price-sensitive 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.

IndesitCo is committed to ensuring that everyone who accesses (or may access) Price-sensitive Information is aware of their legal and regulatory obligations (and relative sanctions) and above all the rules of corporate governance relating to Price-sensitive Information. To this end, a special disclaimer is handed or read out to participants before all meetings involving the management. Further, all people entered in the Register receive an annual training session.

10. Relations with shareholders

10.1 Head of Investor Relations

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, IndesitCo some years ago appointed a Head of Investor Relations.

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 Head of Investor Relations reports to the Group Chief Financial Officer and works in compliance with the procedure for disclosure to the market and international best practice. The Head of Investor Relations is assisted by various Company functions (esp. the AFC and DALs).

41. As required in section 4 of the Code.

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 on business results of such developments.

In 2010, IndesitCo dedicated numerous working days to meetings with analysts and institutional investors, the main ones being:

- four conference calls, on the occasion of the announcement of interim results;
- roadshows addressing financial markets in Milan, London, Paris, Lugano and Madrid;
- 50 one-to-one conference calls and 130 group meetings.

The Company also took part in six European conferences organized by Italian and foreign brokers (London, Milan, Pesaro and Stockholm).

In 2005, IndesitCo introduced “*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 is standard practice at Shareholders’ Meetings to approve the Group parent 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.

10.2 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, interim 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 shareholders⁴². Documentation remains on the site for at least two years.

10.3 Shareholders’ Meetings and rules ⁴³

Entitlement to participate in Shareholders’ Meetings and exercise voting rights is certified by a notice to the Company issued by a broker, on the basis of its accounting records, in favour of the subject entitled to vote by the seventh trading day prior to the date of the Meeting (record date). Said notices must be delivered to the Company in the manner indicated in the Notice of Meeting ⁴⁴.

Regarding art. 11 of the Code, the By-laws do not provide for voting by correspondence or electronically in that this is not deemed useful given the Company’s ownership structure.

Since 2001, the Company has had rules ensuring smooth and efficient conduct of their Shareholders’ 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.

The Board put before the Shareholders’ Meeting called to approve the Financial Statements a number of modifications to the rules, mainly to bring them into line with the SHRD ⁴⁵.

42. Such as, among others, the By-laws, rules for Shareholders’ Meetings, company officers, management committees, corporate governance information, governance procedures, the Code of Conduct and the Sustainability Report.

43. The rules are also posted on the Website for the public.

44. Introduced by the SHRD.

45. The proposed modifications are detailed in the Report on the items on the agenda of the Shareholders’ Meeting published within the terms and in the manner required by the law.

11. Statutory Audit Committee

The Statutory Auditors check the legality of the Company's deeds and procedures by monitoring:

- compliance with laws and the By-laws;
- observance of sound business standards;
- the adequacy of the Company's organisational 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 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 Independent auditors, the Statutory Auditors act as an "Internal Control and Statutory Auditing Committee" which oversees:

- the financial reporting process;
- the effectiveness of the internal control, internal audit and risk management systems;
- the Independent auditors of the separate and consolidated financial statements;
- the independence of the Independent auditors, with special regard to any non-auditing services.

In accordance with the RPT Regulation, the Statutory Audit Committee monitors the conformity of the procedures adopted to the principles laid down in the Regulation and their application and reports thereon to the Shareholders' Meeting pursuant to art. 2429, clause 2, c.c., or art. 153, TUIF. The Statutory Audit Committee does not have legal auditing functions ⁴⁶.

The By-laws (art. 22) require the Committee 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% ⁴⁷ of the shares with voting rights in ordinary Meetings. Under the Investor Protection Law, the chairman of the Statutory Audit Committee is appointed from a minority list.

A shareholder that presents a list, on his/her 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/her own responsibility that there is no connection with other lists presented, in accordance with the provisions of the applicable law.

Motions to Shareholders' Meetings proposing candidates for the post of Statutory Auditor must be lodged at Company headquarters at least twenty-five days before the date of the Meeting (1st call) ⁴⁸.

The choice of candidates must take into account the criteria established in 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.

The Shareholders' Meeting on 30/4/2008 appointed the following Statutory Auditors to hold office till the Shareholders' Meeting to approve the separate financial statements closing 31/12/2010:

- Angelo Casò Chairman, Statutory Audit Committee
- Andrea Amaduzzi Standing auditor
- Luigi Biscozzi Standing auditor
- Francesco Nobili Alternate auditor
- Serenella Rossano Alternate auditor

Angelo Casò was nominated from a minority list put forward by Fines S.p.A. and Luigi Biscozzi and Andrea Amaduzzi were appointed from the list submitted by Fineldo S.p.A.

46. The law requires this to be done by a Consob authorised Independent auditors designated by the shareholders (see section 14).

47. Or any lower percentage subsequently required by law. This percentage was fixed by Consob in Resolution 17633, 26/1/2011, on minimum shareholdings for submitting lists of candidates for the election of management and control posts whose financial year closed on 31/12/2010.

48. See note 15.

The CVs of the standing auditors are attached to the Report under Annex 4, while the structure of the Statutory Audit Committee is described in Annex 5.

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 25/3/2010 and 22/3/2011 (based on personal declarations endorsed by the Statutory Auditors), all the standing auditors possess said independence requisites.

To implement certain recommendations in the Code, the Board of Directors approved the art. 150, TUIF Procedure in March 2003. 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. Given the complementary nature of matters dealt with and the subjects invited to report to it, meetings of the Statutory Audit Committee in 2010 were held jointly with the ICC, as already stated, compatibly with specific responsibilities and functions. Further, the Statutory Audit Committee meets at least once a year with the OdV to discuss themes of common interest and receive the OdV's report on its activities.

The RPT Procedure also applies to the standing auditors, as they are considered "executives with strategic responsibilities" as defined by CONSOB.

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 2010 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 1.1 above, the Committee and its chairman in particular were involved in the Board's 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.

The Committee met nine times in 2010.

12. Honorary Chairman

The Shareholders' Meeting on 29/4/2010 modified the By-laws by introducing the possibility of appointing an Honorary Chairman and then appointed Vittorio Merloni to such post. The Honorary Chairman holds office for the same term as the Board and stands down, unless through earlier resignation, upon expiry of the Board's term of office. The Honorary Chairman may be re-elected.

The Honorary Chairman, where not a director, may take part in meetings of the Board and of the shareholders and express non-binding opinions on the matters discussed by the Board and the shareholders.

The only tasks the Board may assign the Honorary Chairman are those of representing the Company at events other than those typical of routine business, and therefore of a cultural, scientific or charity nature.

As provided for in the By-laws, the Board fixed the Honorary Chairman's remuneration.

13. Organisational Model and Code of Conduct

The Model was adopted by the Board in 2004, partly to allow the Company to avail itself of the provisions in Legislative decree 231/01⁴⁹. After new mapping activities in 2009 to keep abreast of both new legislation (regarding offences) and changes in the Company's organisation, the Model was updated, approved by the OdV and adopted by the Board in a meeting on 25/3/2010.

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, transparency 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 offences covered by the aforementioned Legislative decree.

The Code of Conduct⁵⁰ contains the rules of conduct to be observed within the Group in personal conduct and business management and 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 3rd parties and in particular with certain "sensitive" interlocutors, 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.

The Code of Conduct also contains 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 appointed⁵¹ the OdV, formed by two external independent members specializing in criminal and company law, respectively Bruno Assumma (chairman) and Giovanni Frezzotti, and two internal members, Giuseppe Catalano, head of DALs, and Ferruccio Panicco, Group Chief Audit Executive. Under the OdV's rules, tied votes are resolved by the casting vote of its chairman.

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

The OdV's tasks include:

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

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;

49. The law introduced the "administrative liability" (in practice penal) of companies for certain offences committed in their interest or to their advantage by its directors, Statutory Auditors or employees. The law exempts companies, however, that can show they have adopted and effectively implemented an organisation, management and control model capable of preventing the offences in question.

50. Published on the Website.

51. In the meeting on 29/10/2008. The OdV in office was re-appointed in the meeting on 25/3/2011.

- the system for assignment of powers of attorney;
- 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.

14. Independent auditors

The following services:

- audit of IndesitCo's separate financial statements and the Group consolidated financial statements, pursuant to art. 14 and 16, Legislative decree 39/2010;
- check over the year that the Company's accounts are kept properly and that the accounting entries accurately reflect the Company's operations pursuant to art. 14, clause 1b, Legislative decree 39/2010;
- review of the consolidated Interim financial statements in accordance with the provisions of Consob communication 97001574, 20/2/1997.

were assigned to KPMG S.p.A. for the period 2004-2012, ie. up to approval of the financial statements at 31/12/2012, by virtue of resolutions of the Shareholders' Meetings on 5/5/2004 (originally for the 2004-2006 three-year period) and 3/5/2007 (the Investor Protection law, in fact, extended the term for the assignment of the Independent audit of accounts to nine years).

For reasons of rotation and compliance with art. 17, clause 4, Legislative decree 39/2010, KPMG S.p.A. changed the partner in charge of the audit for the last three years of the engagement (2010-2012).

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

Meeting on 3/5/2007, the Board, pursuant to the By-laws⁵², appointed Andrea Crenna, the Group's *Chief Financial Officer*, as the officer charged with preparing the Company's financial reports.

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.

52. 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

1. Introduction

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 reliability ², accuracy ³, trustworthiness ⁴ and timeliness ⁵ of financial reporting.

When the Investor Protection law came into force, the Group initiated a project to adjust to its provisions by adopting specific guidelines on designing, implementing, monitoring and updating the financial reporting risk control system.

In defining the rules and methods for developing and operating the system, reference was made to national and international best practices (such as the *CoSO Internal Control Integrated Framework*, proposed by the *Committee of Sponsoring Organisations of the Treadway Commission* ⁶ and the *COBIT* ⁷ Framework).

In this project, criteria were defined for identifying:

- the perimeter of Group companies involved, on the basis of their impact on the consolidated financial statements;
- relevant processes in terms of potential impact on financial reporting;

1. For further details on the existing risk management and internal control system in relation to the financial reporting process (including the consolidated accounts), see the following sections of the Report: 6 (Internal Control System), 7 (Internal Control System), 9 (Treatment of Price Sensitive Information), 15 (Officer charged with drafting the Company's accounting and corporate documents).
2. Reliability (of reporting): having the characteristics of correctness and conformity to generally accepted accounting standards and the requisites specified in laws and rules.
3. 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.
4. 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.
5. Timeliness (of reporting): information disclosed within the legal term.
6. A private, voluntary organisation 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.
7. *Control Objectives for IT and related technology* is a set of rules drawn up by the *IT Governance Institute*, a US body whose objective is to define and improve IT standards in businesses.

- risks ⁸ attaching to failure to achieve control objectives ⁹ (eg. balance sheet assertions and other objectives related to financial reporting).

The perimeter of relevance was identified taking the following into account:

- *significant accounts*, in terms of materiality ¹⁰;
- processes that generate the *significant accounts*;
- the relevance of the aforementioned processes, identified at the level of each *legal entity* ¹¹.

Subsequently, an overall analysis of risks/controls at company/group level (“*entity level controls*”) was carried out and risks/controls at process level (“*process level controls*”) were identified.

For the entity level risks/controls — in line with the reference model — an assessment (using specific *checklists*) was made of certain key components of the ICS coming under the following five main areas:

- 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);
- *risk assessment process* (continual process of identification and analysis of endogenous and exogenous risks capable of compromising the achievement of business objectives);
- controls structure (rigorous methodologies in the design and implementation of control activities to guarantee, for the top management, proper application of instructions given);
- reliable information systems and communication flows (integrity and completeness of data and information);
- monitoring (on a continual basis to ensure maintenance and improvement of the internal control system).

The process level risks, on the other hand, were fed into a set of matrixes with processes/sub-processes/activities (*Risk and Control Matrix* or *RCM*) and assessed in terms of potential impact on the precision of financial statements data and the probability of occurrence assuming no controls (“*inherent level*” evaluation), to make a distinction between “primary” controls (indispensable for ensuring coverage of the main risks) and “secondary” controls.

Where likely to impact significantly on financial reporting, the risks identified, including unintentional error ¹² and fraud ¹³, were subjected to gap analysis with respect to the relevant best practice. A remediation plan was then defined for corrective measures to remedy shortcomings and inadequacies in specific aspects of the existing control model.

8. 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).
9. Control objectives: objectives that the internal control system for financial reporting sets itself in order to ensure truthful and accurate representation, including “financial statement assertions” (existence and occurrence, completeness, rights and obligations, assessment and registration, format and disclosures) 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.).
10. The selection of *significant accounts* serves to obtain a minimum coverage of 90% of the four classes of item in the consolidated financial statements: Revenues, Costs, Assets, Liabilities; the remaining 10% was further analyzed to make sure it was made up of items which, if considered singly, would count for less than 1% of their respective classes and the processes associated with such items would already be included in those generating the 90% of balances selected.
11. The contribution (%) of each *Material Control Unit (legal entity)* to the *significant accounts* identified was analyzed with the objective of a minimum coverage of 75% of the single balances, as required by the PCAOB, *Public Company Accounting Oversight Board*.
12. Error: in the ICS, this means any unintentional act or failure to act resulting in a deceptive statement in reporting.
13. Fraud: in the ICS, this means any intentional act or failure to act resulting in a deceptive statement in reporting.

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

To ensure the long-term robustness of the financial reporting risk control system, the Group has put together various continual monitoring instruments and activities to guarantee that the administrative and accounting procedures serving the preparation of financial statements are always in place, adequate and effectively applied.

Such instruments and activities, in support of the DP and the certification he or she must issue pursuant to the Investor Protection law ¹⁴, may be summarized as follows:

- I. the RCMs and relative management activities, in turn organized in four distinct phases (*scoping, risks and controls analysis, testing and reporting, remediation*);
- II. updates of the Manual;
- III. the sub-certification system;
- IV. analysis and strengthening of administrative/accounting procedures or procedures relating to business processes with potential and significant impact on financial reporting.

Responsibility for carrying out the aforementioned activities and co-ordinating the various subjects involved lies with a function within the *Group Accounting Department* (GAP) whose task is to monitor the Group's administration processes, including those relevant for the purposes of the Investor Protection law.

I. Risk and Control Matrix

RCM management activities are carried out in four main phases.

1) Scoping

The Group carries out an annual updating of the analysis perimeter of the administrative/accounting controls system to ensure it covers the financial reporting risks relative to the more significant account items in the consolidation perimeter.

This involves measuring the impact of each *legal entity* in the Group on the consolidated financial statements and also takes into account the relevance that the *significant accounts* and relative administrative/accounting process have on the statements (quantitative analysis). These results are supplemented, if necessary, after a qualitative analysis, which may focus on specific financial statement items, Group structure, significant changes in business conditions, substantial shortcomings in terms of controls over financial reporting processes, etc.

In 2010, following the annual scoping activity, the RCM relevance perimeter was extended to the newly formed legal entity in Russia.

2) Risks and controls analysis

The mappings of relevant processes/sub-processes/activities and relative controls (at both entity and process level) are periodically analyzed and assessed to ensure ongoing correspondence with reality and the validity of risk coverage.

The management responsible for the relevant processes produces an annual review of the descriptions of the activities carried out and actual controls put in place to avoid misalignment in the RCMs due to change occurring over the last year (in business procedures, re-engineering of processes, organisational restructuring, etc.).

In 2nd half 2010, partly based on in-house experience, GAP and *Internal Audit* initiated a joint overall assessment of the RCMs and a rationalization of controls already in place, which will be completed in May 2011.

14. See, in particular, section 15, Part Two of the Report.

The main objectives of the rationalization are on one hand a general simplification, by eliminating redundant controls that reduce operating efficiency without bringing any real benefits in terms of strengthening the ICS and, on the other, a sharper definition and more effective management of “primary” controls, also through standardization of the mandatory documentation used in the controls.

3) Testing and reporting

The objective here is to make sure that the controls designed to reduce the identified risks to an acceptable level are operative in the period considered and actually carried out according to plan.

In line with the Group’s organisational structure, characterized by a prevalently functional model, activities in this phase privilege a structural approach to operating processes (procurement, sales, personnel, etc.) whilst also applying a certain logic of sub-division of activities by legal entity.

Such activities thus involve:

- line (or 1st level) monitoring by the operating management in charge of major processes/activities;
- 2nd level monitoring by GAP; this too is functional/process-based;
- 2nd level monitoring of individual companies (operating horizontally across all the processes of the legal entity) by a newly created figure, the *Financial Compliance Officer*¹⁵;
- 3rd level monitoring by the *Internal Audit* function.

Having been reviewed by *Internal Audit* with the DP and the ICS, the results of 3rd level monitoring provide an independent assessment for the executive director that oversees the operation of the ICS, for the ICC and the Statutory Auditors.

4) Remediation

On the basis of the results of the monitoring activities, the risk/control owners belonging to line management, backed up by central control functions (GAP and *Internal Audit*), identify corrective action to improve the ICS and the follow-up activities (defining timings and responsibilities for each of the points in the specific remedial plans).

On the basis of suggested improvements that emerged in the testing phase, a project was initiated late in 2010 to strengthen and maintain the segregation of duties (aiming, among other things, to introduce a tool to facilitate automatic management of accesses and roles in relation to the business risk matrix), with the direct involvement of the IT Department and the Organisation function in the Human Resources Department.

II. Group Reporting Manual

One of the initiatives designed to maintain an effective financial reporting risk management and control system is the Group’s new Manual (released 1/1/2008).

The Manual sets forth the Group’s accounting standards, which are based on IAS/IFRS (*International Accounting Standards/International Financial Reporting Standards*) and which all the Subsidiaries must use in order to ensure uniformity of content, accounting items and relative evaluation criteria. Such uniformity is vital for a truthful and fair view representation of business events in the Company’s records and communication to the market, including interim figures¹⁶.

The Manual also provides for a Group chart of accounts to guarantee not only uniformity of coding but also unambiguousness in the accounting of business events that characterize the operations of the Group’s various Subsidiaries.

In addition to defining Group *reporting* rules for the various business processes, the Manual, 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 attestations).

In 2nd half 2010, the GAP started an overall revision of the Manual (to be completed by mid 2011) which will update its content in line with new legislation¹⁷ and also simplify and make it easier to use.

15. This usually coincides with the Subsidiary’s administrative manager and/or market controller, who has specific tasks and responsibilities in terms of compliance, as formally recognized in the job profiling of the Group’s Finance area.

16. In addition to the annual and interim financial reports required by law, the Group also approves quarterly financial reports.

17. Updates to the Manual to assimilate modifications to the relevant *IFRS* are in any case carried out periodically through the year by the GAP.

III. The sub-certification system

In view of current law and international best practice¹⁸, the Manual introduced a formal and material basis for the certification issued by the DP pursuant to the Investor Protection law: a series of sub-certifications (“cascade” system) on the part 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 organisation of the Group and within the bounds of their particular duties.

To cover both the responsibilities attaching to the organisational units and responsibility for producing the *Reporting Packages* (produced by legal entity for the purposes of drafting the Group’s consolidated financial statements), two separate types of attestation were defined:

- attestation of single *reporting* items in the income statement issued by the management of the organisational 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:

- they have implemented adequate accounting and administrative procedures on the basis of the DP’s guidelines;
- said procedures were actually applied during the period the accounting data refer to;
- such data corresponds to the accounting records and entries;
- such data give a truth and fair view picture of the financial position and results of operations of the company they are responsible for.

To further strengthen the necessary process of compliance, the *Financial Compliance Officer* 1) is appointed as a member of the management bodies¹⁹ of subsidiaries that contribute in various ways to the Group’s financial reporting 2) provides the necessary assurance regarding the information required for the purposes of drafting the consolidated financial statements and the sub-attestations.

IV. Standardization of administrative and accounting procedures

Since 2009, the Group has applied an obligatory procedural standard to meet the following needs:

- to ensure uniformity of content in all corporate procedures by providing an obligatory template and indicating the minimum information content for each type of document (guidelines, procedures, instructions, specifications, modules, etc.) in terms of responsibilities, timings and points of control within the process;
- to have formal judgements on conformity to the procedures relevant for the purposes of the Investor Protection law²⁰;
- to guarantee univocal in document management by filing in a special repository accessible to everyone;
- to establish a chain of official approval (with a traceable digital signature system) for each procedure.

In 2010, 14 procedures relevant for the purposes of the Investor Protection law were published in observance of the new standards. In 2011, existing procedures will continue to be updated (also in terms of checking compliance with the Investor Protection law).

b) Information flows between functions

To favour rational and efficient co-operation between the subjects involved in the ICS and guarantee a systematic and timely flow of information between the DP, boards of directors and control bodies within the framework of the ICS, the interrelations, spheres of operation and reporting flows between such bodies have all been properly defined.

18. Especially in companies listed on Wall Street and subject to the *Sarbanes-Oxley Act*.

19. At least in Subsidiaries in which such bodies have more than one member.

20. Analysis of the importance of each procedure for the purposes of the Investor Protection law and the consequent integration, revision or redrafting activities are carried out by GAP; all procedures relevant for the purposes of the Investor Protection law must be approved by the DP.

Administration and control bodies

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

- the ways in which management and control of the process of drawing up accounting documents are carried out;
- critical issues;
- plans and actions to overcome problems, and the results obtained;
- any insufficiency of means or resources available.

The DP reports annually to the Board, and with different frequencies to the ICC and the Statutory Auditors, on the conformity of the financial reporting control system and on accounting aspects within his brief, also for the purpose of establishing useful flows of information with such bodies, co-ordinating their respective control activities and also focusing the DP's own efforts on the areas deemed most at risk.

The DP must also report to the control bodies and the Board at any time, either directly or through the CEO, in the event that 1) he or she is no longer able to fulfil his or her tasks or 2) about eventual anomaly, deficiency and criticality of the administrative/accounting system, if relevant 3) to signal facts of a critical nature that might require urgent decisions on the part of such bodies.

The Board, the ICC and the Statutory Auditors may ask the DP to report to them on matters within his or her sphere of competence. In 2010, the DP took part in two joint ICC/statutory auditors meetings and reported to the Board on his activities in their meeting in June.

The DP has access to all the documents that impact on the Company's equity, financial position and results of operations.

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

Internal Audit

The 3rd level monitoring mentioned above is only a part of the wide-ranging working relationships between the DP and the *Internal Audit* function, which include:

- ongoing consulting on the analysis activities of the ICS over financial reporting, as well as on the adequacy of the controls implemented;
- signalling of critical areas found during their work that could impact on the ICS regarding processes deemed sensitive by the DP and relative remedial actions;
- checks requested by the DP to support assessments of the adequacy and efficiency of administrative/accounting procedures.

In 2010, seven audits were included in the *Audit Plan* as a result of risk assessments of specific areas/processes on which the DP and *Chief Audit Executive* had worked together.

Annex 2 – Career profiles of directors and lists of top management posts held in other listed companies, banks, insurance and finance companies and other large organisations

Andrea Merloni

He was born in Rome in 1967. He has been chairman of Indesit Company since 29th April 2010 (formerly vice-chairman since April 2008 and a member of its board of directors since 1996).

From 2005 to 2007 as a director of Indesit Company S.p.A. he was in charge of “new business opportunities”.

Within Indesit Company Group, from 2000 to 2007, he was chairman and CEO at WRAP S.p.A., a spin-off from Indesit Company S.p.A. 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 S.p.A. (Vittorio Merloni’s family holding company), Merloni MP&S S.r.l. and Evolve S.p.A.

He is a graduate in “Political Sciences”.

Company	Posts held
Alpha 67 S.p.A.	Sole Director
Fineldo S.p.A.	Director

Marco Milani

Born in Milan in 1954, he graduated in engineering and became CEO of Indesit Company on 27th 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.

Company	Posts held
Carraro S.p.A.	Director

Valerio Battista

He is Prysmian S.p.A.’s Chief Executive Officer and General Manager and is at the head of the Prysmian Group organisation. He gained 17 years’ experience with the Pirelli Group and headed the Energy Cables and Systems business Unit for five years, including the period 2002-2003 during which the Group successfully completed its reorganisation plan. He graduated in Mechanical Engineering from Florence University in 1981. He joined UnoAerre in 1983 as Head of its Technical Office. In September 1987 he joined

the Operations Department in the Steel Cord division of Pirelli & C. S.p.A. Group in Figline Valdarno. In 1997 he became Director of the Steel Cord division of Pirelli Tyre Division where he then became Purchasing Director in 2001.

He became CEO of the Group's Energy Cables and Systems business unit in February 2002 and CEO of the Telecom Cables and Systems unit in December 2004.

Company	Posts held
Prysmian S.p.A.	CEO & General Manager

Francesco Caio

Born in Naples in 1957 he took a degree in Engineering at the Politecnico di Milano in 1980. In 1985 he earned an MBA at Insead in Fontainebleau in France.

He has been Vice Chairman Europe of investment bank Nomura Int. in London since 2008.

In 2008 and 2009 he was a consultant to the English and Italian governments for the establishment of industrial policy plans for the development of broadband telecommunications networks.

In his career he has held senior management posts in groups operating in the telecommunications, technology and consumer durables industries.

From 2003 to 2006, CEO of Cable & Wireless — fixed and mobile telecommunications in more than 25 countries — (London).

From 2000 to 2006, CEO of Netscalibur Internet services for businesses (London and Milan).

From 1997 to 2000, CEO of Merloni Elettrodomestici S.p.A. (now Indesit Company) in Fabriano.

From 1993 to 1996, CEO of Omnitel — the first private mobile operator in Italy (now Vodafone Italy) and then CEO of Olivetti.

He has been an independent director of Invensys PLC (London) since 2009. He was an independent director of Motorola (Chicago) from 2000 to 2003 and Equant (New York/Amsterdam) from 1997 to 2000.

Company	Posts held
Nomura	Vice Chairman Europe
Gruppo Sole 24 Ore	Director
Invensys PLC	

Innocenzo Cipolletta

Born in Rome in 1941, he graduated in Statistics from “La Sapienza” University in Rome in 1965.

He is Chairman of UBS Italia SIM S.p.A. and Chairman of The University of Trento

He was Chairman of Ferrovie dello Stato (from 2006 to 2010), of the daily financial newspaper Il Sole 24 Ore (from 2004 to 2007), of UBS Corporate Finance Italia S.p.A. (from 2002 to 2006) and of the Marzotto Group (from 2000 to 2003) and also held the position of General Director of Confindustria (the Italian Industry Association) for ten years (1990-2000).

He has been an officer and executive of the OECD (Organisation for Economic Co-operation and Development) and the ISCO (Italian Institute for Studies on Economic Cycles).

As a professor of Economics, he has taught at the University of Rome “La Sapienza”, at the University of Reggio Calabria, at the University of Florence “Cesare Alfieri” and at the Roman University “LUISS-Guido Carli” (where he was also on the board of directors).

He is on the boards of Fondazione Censis, Fondazione Musica per Roma, and Fondazione Lars Magnus Ericsson. He is presently on numerous scientific committees, including Economia Italiana, Rivista di Politica Economica and Fondazione NordEst.

He is a member of a number of non-profit organisations such as the Italian Statistics Society, the Italian Economists Society, Demographics and Statistics, the ISTAO (Istituto Adriano Olivetti per la Gestione Economica e delle Aziende) and of the Italian Institute for International Affairs (IAI).

He is a freelance journalist and economics commentator for a number of newspapers. He is also the author of a large number of scientific papers and books.

Innocenzo Cipolletta is also a Knight of the Grand Cross of the Order of Merit of the Italian Republic (1994).

Company	Posts held
UBS Italia Sim	Chairman
Poltrona Frau S.p.A.	Director
iGuzzini S.p.A.	
Ceramiche Piemme S.p.A.	
Laterza-Agorà S.r.l.	
FS Sistemi Urbani S.r.l.	

Paolo De Cesare

He started his career in 1983 in the Laundry products marketing Department of Procter and Gamble Italy. In his 24-year career in Procter & Gamble he worked in Brussels, London and Kobe (Japan) before moving to Geneva in 2002 as President Global Prestige Beauty and Personal Care. He was responsible for Profit and Loss, Innovation, Manufacturing, and Marketing of one of Procter & Gamble's fastest growing and most dynamic businesses, with global sales of USD3-4 billion. He oversaw 2000 managers, 5 manufacturing sites and 4 major research centers. Key brands managed were Olaz, Max Factor, SKII, Safeguard, Camay, and the fine fragrances portfolio with Hugo Boss, Lacoste, Gucci, Escada. In this capacity he became a member of the Global Executive Committee including the top 40 managers of the company and was involved in the acquisition and integration of Wella and Gillette Company.

He has been chairman and CEO for Printemps Department stores, Paris, since 2007. In this position he is leading the Luxury Department store chain in France, with sales of over €1 billion, 4,000 employees and 17 stores across France. The company was acquired in 2007 by a private equity group including REEF Fund (Deutsche Bank) and the Borletti Group. As the first CEO appointed by the new shareholder, he is in charge of the complete repositioning of the department store chain with an investment budget of €280 million over 5 years. Printemps' flagship store has been revamped to become one of the most iconic department stores in the world, with a renovated Luxury area featuring the best luxury brands like Cartier, Chanel, Bulgari, Dior, Gucci, Louis Vuitton, Hermès, Yves St Laurent, Prada, Tiffany, etc.

Company	Posts held
Printemps Group	CEO and General Manager

Mario Greco

Mario Greco, born in 1959, Italian citizen, graduated in Economics from the University of Rome in 1983, and completed a Master in International Economics and Monetary Theory at Rochester University, New York (USA), in 1986.

Mario Greco is a member of the Group Executive Committee and Chief Executive Officer of General Insurance of Zurich Financial Services Ltd. (Zurich). He joined Zurich in October 2007.

Mario Greco started his professional career in management consulting, working with McKinsey & Company's Milan office from 1986 until 1994 becoming a partner in 1992 and leader partner in the insurance segment. In 1995, he joined Ras (Allianz Group) in Milan as head of the Claims Division. In 2000, he became the company's chief executive officer. He was appointed head of Allianz's Life Sustainability business in Munich in 2004, and later that year he was appointed to Allianz AG's executive board, with responsibility for France, Italy, Spain, Portugal, Greece and Turkey. In April 2005, he joined the Sanpaolo IMI Group in Milan as the CEO of EurizonVita. In October 2005, he was appointed Chief Executive Officer of EFG (Eurizon Financial Group), the company holding the Sanpaolo IMI Group's investments in Eurizon Vita and Banca Fideuram, and Eurizon Capital Sgr.

Company	Posts held
General Insurance Zurich Financial Services	CEO
Zurich Life & Pensions	Chairman & Legal representative
Zurich Investments Life	
Zurich Life Insurance Italia	
Gruppo Editoriale L'Espresso S.p.A.	Director
Saras S.p.A.	

Antonella Merloni

Born in Rome in 1965, she graduated in economics and commerce at Bologna University. She is currently chairman of Fineldo S.p.A. From January 1990 to January 1991 she trained with the accounting firm 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 S.p.A., a factoring and leasing company.

Company	Posts held
Fineldo S.p.A.	Chairman

Aristide Merloni

Born in Rome in 1967, he graduated in Political Sciences at the University of Milan in 1996.

As Project Leader he followed the development of the Merloni Group plants in Poland (1996-1998).

Between 1998-1999 he was in the USA, at GEA Boston, as Senior Market Developer.

From 2000 to 2005 he was chairman of Motonline.com.

He has been chairman of Merloni Progetti S.p.A. since 2004.

Company	Posts held
Merloni Progetti S.p.A.	Chairman
Fineldo S.p.A.	Director

Maria Paola Merloni

She 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 in charge of Institutional Relations since 2005 and became a director in 2008.

From 1997 to 2010 she was sole director of "MCP Eventi", a company 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 S.p.A. and Fondazione "Teatro delle Muse" (Ancona), member of the management committee of Associazione Industriali, province of Ancona, Chairwoman of Confindustria Marche, member of the governing body of Confindustria at national level 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 Works.

In 2008 she won a seat in parliament with the "Partito Democratico" (as head of the Marche constituency committee), she was shadow-minister for European Community policies and she is a member of Parliamentary Commission 14 for European Union policies and member of Parliamentary Commission of Inquiry into the phenomenon of counterfeiting and commercial piracy. She also sits on the national direction of the "Partito Democratico".

Company	Posts held
Fineldo S.p.A.	Director

Paolo Monferino

Born in Novara in 1946, he 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 the 80th 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, he was made executive vice president of the newly merged company, leading Strategies and Business Development from its headquarters in London.

From 1996 to 2000 he 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 Centro Ricerche Fiat.

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.

He has been at the head of the Health department at Regione Piemonte since December 2010.

Company	Posts held
CNH Global N.V.	Director
Ferrari S.p.A.	
Alleanza Toro S.p.A.	

Annex 3 – Structure of the Board of Directors and of the Committees of Indesit Company S.p.A.

Board of Directors												
Office	Name	Executive	Non-executive	Indep.	Indep. TUIF	* %	** n/a	*** n/a	Internal Control Committee ****	* %	Human Resources & Remuneration Committee ****	*
Honorary Chairman ⁽¹⁾	Vittorio Merloni					0%	n/a	n/a				
Chairman ⁽²⁾	Andrea Merloni	X				100%	0	2				
CEO	Marco Milani	X				100%	1	0				
Director ⁽³⁾	Bruno Busacca		X	X		100%	n/a	n/a				
Director	Innocenzo Cipolletta		X	X		100%	1	5	X	100%		
Director ⁽³⁾	Adriano De Maio		X	X	X	66.6%	n/a	n/a				
Director ⁽³⁾	Luca Garavoglia		X	X	X	0%	n/a	n/a				
Director	Mario Greco		X	X		100%	2	4			X	100%
Director ⁽³⁾	Hugh Malim		X	X		100%	n/a	n/a	X	100%		
Director ⁽³⁾	Emma Marcegaglia		X	X		0%	n/a	n/a				
Director	Antonella Merloni		X			100%	0	1	X	100%		
Director	Maria Paola Merloni		X			57.1%	0	1			X	100%
Director	Paolo Monferino		X	X	x	100%	2	1			X	100%
Director ⁽⁴⁾	Valerio Battista		x	x	x	75%	1	0				
Director ⁽⁴⁾	Francesco Caio		x	x		75%	3	0	X	50%		
Director ⁽⁴⁾	Paolo De Cesare		x	x		75%	1	0				
Director ⁽⁴⁾	Aristide Merloni		x			75%	0	2				
Number of meetings in 2010:			Board: 7									
Internal Control Committee: 4			Human Resources & Remuneration Committee: 3									

NOTES

* Percentage of attendance by directors at meetings of the Board or Committees.

** Number of posts held in other listed companies, including foreign ones.

*** Number of posts held in other financial companies, banks, insurance companies or other large organisations.

**** "X" indicates the chair of the Committee.

(1) Chairman until 29 April 2010, Honorary Chairman since 29 April 2010.

(2) Vice Chairman until 29 April 2010, Chairman since 29 April 2010.

(3) Post held until 29 April 2010.

(4) Post held since 29 April 2010.

Annex 4 – Curriculum vitae of the members of the board of Statutory Auditors of Indesit Company S.p.A.

Angelo Casò

Born in Milan in 1940, he lives in Milan.

A graduate in Economics and Commerce (Università Commerciale “Luigi Bocconi”, Milan). He was registered as a public accountant in Milan in 1965.

Entered in the “Albo dei Dottori Commercialisti” (Register of Public Chartered Accountants), Court of Milan on 27 January 1965. Chartered accountant since 18th February 1971 (D.M. 18.02.1971 G.U. 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 Européens” (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).

Andrea Amaduzzi

Born in Milan in 1969, he graduated in Business Economics at Università Commerciale “Luigi Bocconi” in Milan in 1992, having already taken a “Major en Contrôle 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 of Chartered Register in 1996 and has been a chartered accountant since 1999.

He is a professor of “Business Economics” at the Economics Faculty of Università degli Studi of Milan, Bicocca.

At the Economics Faculty of “Università degli Studi of Milan, Bicocca”, he is Co-ordinator of the “Business Economics” section of the “Business Economics Sciences” Department, and of the “Business Economics Sciences” postgraduate degree course and a member of the academic board for “Business Economics and Strategy” research doctorate studies and he is teaching “Financial statements” and “Company appraisals”.

He is also the author of numerous publications, mainly on international accounting standards and companies and assets appraisals.

Luigi Biscozzi

Born in Salice Salentino (LE) in 1934. He graduated in business economics (Università Commerciale Luigi Bocconi, Milan) and enrolled in the Milan Accountants of Chartered Register in 1966. He has been an official auditor since 1972 and a registered auditor since 1995.

He was the tax partner at Peat Marwick & Mitchell (now KPMG) in Milan from 1965 to 1976.

In 1976 he was established partner of Studio Legale e Tributario L. Biscozzi - A. Fantozzi, now Studio Legale e Tributario Biscozzi Nobili.

Annex 5 – Structure of the board of Statutory Auditors of Indesit Company S.p.A.

Post held	member	Independence pursuant to Code	Committee meeting attendance	BoD meeting attendance	Number 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	100%	85.7%	3	

NOTE

Number of Meetings in 2010: 9

Quorum for submission of lists by minority shareholders for one or more standing auditors (ex art. 148, TUIF): 2%.

* This column shows the number of administration or control posts held by the person and relevant as per art. 148-bis, TUIF. The full list of posts held is attached to the report prepared by the Statutory Auditors pursuant to art. 153, clause 1, TUIF.

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