

CORPORATE GOVERNANCE REPORT

The system of Corporate Governance in place at BIESSE S.p.A. (hereinafter referred to as the "Company") is inspired and aims to achieve the standards contained in the Code of Conduct for Listed Companies (hereinafter referred to as the "Code").

This system of corporate government aims to ensure open and transparent work of the Management and a timely disclosure of information for the market and for investors.

In this sense, a revised version of the Biesse S.p.A. Company Statute has been published, as approved by the Special Shareholders' Meeting held on 21st March 2001.

1. Ownership

The share capital is formed exclusively by fully paid-up ordinary shares, each carrying one voting right in both the General and Special Shareholders' Meetings.

2. Role of the Board of Directors

The Company operates according to the Civil Code provisions concerning joint stock companies. The Board of Directors has all the powers of ordinary and special administration, with the faculty of performing all the actions it deems necessary and apt to reach the corporate purpose, excluding those reserved by Law to the General Shareholders' Meeting.

The Board of Directors is assigned the role of strategic and organisational guidance as well as supervision of the necessary controls for monitoring the performance of the Company and of the Group.

In compliance with article 1.2 of the Code, the Company's Board of Directors, in particular:

- supervises the Company's general performance, and periodically compares the results achieved with those planned;
- examines and approves the Company's and the Group's budgets as well as strategic, industrial and financial plans;
- evaluates and approves periodical reports provided for by the Law in force;
- delegates and regulates powers to the Chief Executive Officers, the Executive Committee and one or more Directors for particular assignments;
- provides the Board of Statutory Auditors with a comprehensive report regarding the activities carried out and the most important financial operations and transactions performed by the Company or by its subsidiaries, if any; in particular, the Board shall also provide adequate information concerning transactions having potential conflict of interest; this notification is made during Board Meetings and on a quarterly basis, at least;
- appoints and sets the compensation of one or more General Managers of the Company, who shall implement the resolutions taken by the Board of Directors and on delegation thereof, supervise current events, propose operations and exercise any other power granted to them, either continuously or from time to time by the Board;
- examines and approves transactions having a significant impact on the Company's profitability, assets and liabilities or financial position;
- checks the adequacy of the general organisational and administrative structure of the Company and of the Group;
- reports to shareholders at the General Shareholders' Meeting;
- decides, by means of a mandate entrusted to the Independent Director, the proposals to be submitted to the General Shareholders' Meeting and to the Board itself regarding compensations to be distributed to the members of the Board of Directors.

The Board shall convene ordinarily at least 6 times a year, for approval of the financial statements of the period requested, based on the requirements of the High Requisites Securities Segment (STAR) of the Italian Stock Exchange.

For Board meetings, the Directors shall be sent in advance all the documentation and information needed for the Board to express an informed view on the matters it is required to examine and approve.

In accordance with the Corporate Statute, should the General Shareholders' Meeting have failed to do so, the

Board shall nominate a President among its members; moreover, it shall also be free to nominate one or more Chief Executive Officers, the Executive Committee and one of more Directors for particular assignments.

3. Composition of the Board of Directors

In compliance with article 16 of the Company Statute, the Board of Directors may be composed of a variable number of members from a minimum of two to a maximum of 15 members, even not partners, according to the Shareholders' Meetings decision. The Board of Directors is currently composed of five members.

The Board of Directors in charge, composed of five members, was appointed by the General Shareholders' Meeting dated 29/04/2003 and shall remain in charge until approval of Company results pertaining to the financial year as at 31st December 2005.

The Board of Directors in charge is thus composed:

. Mr. Roberto Selci:	President and Chief Executive Officer	Executive
. Mr. Giancarlo Selci:	Chief Executive Officer	Executive
. Mr. Innocenzo Cipolletta:	Independent Councillor	Non Executive
. Mr. Leone Sibani:	Independent Councillor	Non Executive
. Mr. Giampaolo Garattoni:	Independent Councillor	Non Executive

On 5th May 2003 the Board of Directors granted the following powers by delegation:

- the President and Chief Executive Officer, Mr. Roberto Selci, is granted all the powers of ordinary administration of the Company, including the powers to handle relations with banks and every power relating to the underwriting and filing of tax documents of any sort, managing and supervising personnel, purchase and sale of vehicles and assets registered in public registers, subscribing and negotiating bills issued according to Law L. 1329 (known as Sabatini Law), and stipulating lease contracts.

On November 12th 2003 the Board of Directors granted the following powers by delegation:

- the Chief Executive Officer, Mr. Giancarlo Selci, is granted the sole delegation to the strategic definition of the Group's policies in addition to the general coordination of the Group itself, with express exclusion of any and every other legal representations and active administration power.

Members of the Board of Directors are domiciled for their appointment at the legal headquarters of BIESSE S.p.A. in Pesaro, in Via Della Meccanica 16.

Over the 2004 financial year, 6 meetings were held.

4. Independent Directors

Independent Directors are those who:

- do not detain, either directly or on behalf of third parties, nor have recently entertained economic relations with the Company, its controlled Companies, its Executive Directors, shareholder or group of shareholders controlling the Company, or of relevance such that they control their freedom of judgement;
- do not hold, directly or on behalf of third parties, a significant number of shares allowing them to control or substantially influence the Company in any way, nor take part in any shareholders' agreement for the control of the Company itself;
- are not close relatives of the Company's Executive Directors or of individuals in the above described situations.

The Directors' independence is assessed periodically by the Board of Directors, taking into account all the information provided by the single interested parties.

The Company's Board of Directors counts three independent councillors:

. Mr. Innocenzo Cipolletta:	Independent Councillor	Non Executive
. Mr. Leone Sibani:	Independent Councillor	Non Executive
. Mr. Giampaolo Garattoni:	Independent Councillor	Non Executive

Here following is a list which shows the positions held by the Company's Directors in other companies listed on Italian or foreign stock markets, in financial, banking or insurance companies or in large-sized companies:

. Mr. Innocenzo Cipolletta:

- President of UBS Corporate Finance Italy
- Member of the Board of Directors of UBS Giubergia SIM
- Member of the Board of Directors of Ericsson Italia SpA, company listed at the Milan Stock Exchange
- President of the financial daily "Il Sole 24 Ore", a publishing company not listed on the Stock Exchange but operating within the field of economic information and thus representing a sensitive sector.
- As from June 2004, Member of the Board of Directors of Indesit (former Merloni), a listed company

. Mr. Leone Sibani:

- President of Sanpaolo Imi Private Equity since 28.2.2002
- Board Councillor of Sanpaolo Imi since 29.04.2004
- Councillor of Banca Popolare dell'Adriatico S.p.A. since 10.4.2003
- Board Director of Sanpaolo Imi International since 25.07.2002
- Partner of the Cassa di Risparmio in Bologna Foundation since 18 December 1999;
- Councillor of the Associazione per lo Sviluppo degli Studi di Banca e Borsa (Association for the development of Banking and Stock Exchange studies) - Milan since 14.12.1983
- Member of the Central Committee of CICA - Confédération Internationale du Crédit Agricole - since 22.9.1996
- Full member in the European Group Coordination Committee - Istituto Mondiale delle Casse di Risparmio di Bruxelles (Saving Bank World Institute of Brussels- since 13th June 2001
- Councillor of Biesse S.p.A since 29 April 2003

. Mr. Giampaolo Garattoni: does not hold any position among those indicated.

5. President of the Board of Directors

With the exclusion of Law provisions, Board Meetings are usually summoned by the President of his own initiative or, in his absence or impediment, by the Chief Executive Officer/s, or following request by at least two thirds of the Directors or of the Board of Statutory Auditors.

The Board of Directors is validly summoned with the presence of the majority of its members in office and deliberates with the favourable vote of the majority of individuals present.

In the event of a tie, the President shall cast the final vote.

The notice of convocation must be sent by post, telegram, telex, fax or other similar manner as long as legally acknowledged at least five days in advance and in case of urgency by telegram, fax and similar computing manner at least one day (24 hours) before the date foreseen for the meeting. The Board of Managers Meeting is considered valid even without the convocation, as long as all the Councillors and Auditors are present.

The meetings may also be held by conference call and / or video call provided all participants may be identified and that they are allowed to follow the discussion and take part in real time in the discussion of the issues handled, as well as examine, receive, and treat all documentation.

On 29th April 2003 the General Shareholders' Meeting proceeded in nominating its President in the person of Mr. Roberto Selci who, as per Company Statute, is granted all powers of ordinary and special administration of the Company in addition to its legal representation.

6. Information to the Board of Directors

The Company Statute has disciplined the information flows in favour of the Board of Statutory Auditors. Indeed, the Statute foresees that the Directors provide the Board of Statutory Auditors with a comprehensive report on the work done and on the most important financial operations and transactions performed by the Company or by the subsidiaries, in particular, the Board shall also provide adequate information on transactions that have potential conflict of interest; this notification is made on at least a quarterly basis. The recurrence with which the Directors refer to the Board of Directors is quarterly, with the exception of special operations.

7. Treatment of confidential information

The President ensures the correct management of confidential information.

All Directors are required to consider all documents and information acquired during the execution of their duties as confidential.

On 24th December 2002 the Board of Directors approved the Code of Conduct regarding *internal dealing*. The purpose of this Code is to ensure the maximum transparency and uniformity of information to the market with regard to individual behaviour concerning BIESSE shares held by *Relevant Parties* within the Company, based on their potential access to confidential information concerning the Company and its subsidiaries.

This code went into effect on 1st January 2003.

In accordance with the above mentioned Code, the company will therefore promptly inform the market about transactions reaching the threshold of 250 thousand euro. Within 10 stock-market working days following the end of each quarter, the Company will also inform the market of transactions completed by each of the relevant parties in the event that they reach the threshold of 50 thousand euro.

8. Nomination of Directors and Nomination Proposal Committee

In compliance with article 16 of the Company's Statute, the Board of Directors is appointed by the General Shareholders' Meeting which must indicate beforehand the number of members composing the Board itself. In accordance with article 7.1 of the Code, proposals for the position of Director, accompanied by detailed information concerning the candidates' personal traits and professional qualifications, shall be deposited at the Company's registered office at least ten days prior to the scheduled Shareholders' Meeting.

On 5th May 2003, the Board passed the unanimous resolution of renouncing to the nomination of the Committee for internal nomination proposals and of acknowledging to the same Board of Directors the execution of those functions, given the moderate dimensions of the administration body.

9. Remuneration of the Directors and Remuneration Committee

The Board of Directors has established an internal Committee for the Directors' remunerations and for stock option plans as per article 8 of the Code.

Upon expiry of the stock option plan voted by the Meeting dated 09/10/00, the Company has set up a system of incentives linked to the achievement of economic and financial results for the Top Management.

On 15th May 2003, the Board of Directors has established an internal Committee for the Directors' remunerations, as follows:

. Mr. Roberto Selci	President and Chief Executive Officer
. Mr. Innocenzo Cipolletta	Independent Councillor
. Mr. Giampaolo Garattoni	Independent Councillor

10. Internal Surveillance and Committee for Internal Surveillance

The Internal Surveillance system is the set of processes aimed at monitoring the efficiency of corporate operations, the reliability of financial information, the respect of Laws and regulations and the safeguard of corporate assets. The Board of Directors is responsible for the Internal Surveillance system, for which it sets the guidelines and periodically controls its adequacy and effective operation.

The Board of Directors approved the composition of the Internal Surveillance Committee, which, as provided for by article 10 of the Code, is composed of non executive members with a majority of independent members.

A member of the Board of Statutory Auditors will be present at all meetings of the Internal Surveillance Committee.

The Committee will be in charge of assisting the Board of Directors with consultation and proposing functions, in its responsibilities related to the accounting system's and financial information's reliability, to the internal surveillance system, to the advice concerning the choice of and the subsequent supervision of activities carried out by external auditors.

During financial year 2002 the Board of Directors started an extensive analysis and evaluation project concerning risk management, in the more ample internal surveillance system assessment. The aim of the project is to define the actual situation, in order to define a risk management policy. This policy will have to determine a coherent set of guidelines of programmes for the management of the risk. Furthermore, it will have to define specific indications on monitoring and improvement actions.

The project has been developed based on a process approach, according to the following sequential scheme

- Identification
- Evaluation
- Management
- Monitoring,

related to processes showing risk profiles.

The first analysis did not show significant management lacks referring to potentially high impact risks, and so the focus was set on the accounting implications of the most important processes.

Among the selected processes, the analysis aims to identify the more significant types of risks and, for each of them, to:

- isolate the control objectives;
- define the responsibilities;
- suggest specific guidelines for control policies.

The work therefore took into consideration the administrative and financial risks profiles in the following processes:

Liabilities cycle:

Purchase order management => Invoices receipt/control => Payables payment

Assets cycle:

Sales order management => Shipping and billing => Receivables income

Financial cycle:

Foreign currencies hedging => Treasury management

Fixed assets cycle:

Capital expenditures => Depreciation and amortization => Cessions => Management

Compensation cycle:

Hiring and dismissals => Pay slip Compilation => Wage payment

Information technology management:

Continuity => Reliability => Environmental safety and logic

The analysis did not show any critical areas.

On 15th May 2003, the Board of Directors approved the composition of the Internal Surveillance Committee, which, as provided for by article 10 of the Code, is composed of non executive members with a majority of independent members:

- . Mr. Innocenzo Cipolletta Independent Councillor
- . Mr. Leone Sibani Independent Councillor
- . Mr. Giampaolo Garattoni Independent Councillor

During the year 2003, the Internal Surveillance Committee has validated all Biesse Spa's corporate policy risk management activities.

This latter document contains the guidelines concerning risk management in on-going operations, defining the main positions and responsibilities of the parties in charge for the policy management and for the methods of review and update of the same policy.

Moreover, it approved and made operational the proposal regarding the surveillance activities presented by the person in charge of internal surveillance and based on the content of the above mentioned corporate policy, sharing the indicated timing, procedures and objectives.

In 2004 the Committee has analysed the results of surveillance activities carried out on the basis of the work plans presented, checking thus internal procedures, both operational and administrative, adopted in order to ensure a sound and efficient management as well as to identify, prevent and manage, whenever possible, financial and operational risks and frauds that would prove prejudicial to the Company.

11. Operations with correlated parties

Correlated parties are defined by applicable Laws or provisions.

Operations with correlated parties – as defined above – are carried out respecting the criteria of substantial and procedural correctness and are reserved to the Board of Directors.

In operations with correlated parties, those Directors having interests, even potential or indirect interest in the operation, shall:

- inform the Board of Directors in good time and thoroughly with the existence of the interest and the circumstances of the same, independently from the existence of a situation of conflict of interests;
- not take part in the discussion and shall abstain from voting.

Should the nature, value or other features of the operation make it necessary, the Board of Directors may request the assistance of independent experts.

With regards to operations with correlated parties, and for any other information, please refer to the Report on Operations.

12. Shareholders' Meetings and Regulations for Shareholders' Meetings

On 21st March 2001, the Company's Shareholders' Meeting approved the shareholders' meeting regulations aimed at disciplining the correct, orderly and functional execution of General and Special Shareholders' Meetings.

The above mentioned Regulations may be found in the special section of the Company's web-site. (www.biessegrou.com)

13. Relations with institutional investors and with other shareholders

In order to maintain consistent and uniform lines of communication with the financial market, institutional investors and shareholders and to ensure the complete and timely disclosure of relevant information regarding Company activities, the Company has designated an investor relator who shall be in charge of maintaining a

constant flow of reports through press releases, meetings with the financial community and institutional investors and frequently updating the appropriate section on the Company web site (www.biessegrou.com).

14. Board of Statutory Auditors

Article 19 of the Company Statute provides for the Board of Statutory Auditors' composition as follows: three acting auditors and two alternate auditors, elected by the Shareholders' Meeting, which also decides on their compensation. The minority shall elect an Statutory Auditor and an Assistant Auditor.

Appointment of the Board of Statutory Auditors is carried out on the basis of lists submitted by the Shareholders. Shareholders belonging to voting syndicates shall be entitled to submit a single list. Only those shareholders who, on their own or with other shareholders, are holders of voting shares representing at least 2% (two percent) of the share capital are entitled to submit lists in the General Shareholders' Meeting.

No individual Shareholder or any Shareholders belonging to the same group may submit more than one list or vote for different lists, either directly or through proxies or trust companies. In the event of violation of this rule, the vote cast by the Shareholder shall not be counted on any of the lists submitted. Each candidate can be presented on one list only; otherwise, he or she will be declared ineligible.

Each list must be deposited along with the professional qualifications of each candidate and declarations in which they certify their candidature and attest, under their own responsibility, the non-existence of any reasons for ineligibility or incompatibility, as well as the existence of the regulatory and statutory requisites prescribed for the respective offices by the Company Statute.

The Board of Statutory Auditors, appointed by the General Shareholders' Meeting on 29th April 2003 and which shall remain in office until approval of the financial results as of 31st December 2005, is composed as follows:

. Mr. Giovanni Ciurlo	President
. Mr. Adriano Franzoni	Statutory Auditor
. Mr. Claudio Sanchioni	Statutory Auditor
. Ms. Daniela Gabucci	Assistant Auditor
. Ms. Cristina Amadori	Assistant Auditor

Here following is a list which shows the positions held by the Company's Auditors in other companies listed on stock markets, even foreign stock markets, in financial, banking or insurance companies or in large-sized companies:

. Mr. Giovanni Ciurlo

Company	Position	Legal headquarters	Vat Reg. number	Type of Company	Category
ACQUISIMI SPA	PRESIDENT AUD. BOARD	Via Multedo di Pegli 4 (GE)	01494870999	Industrial	
ALFAUTOMAZIONE SPA	PRESIDENT AUD. BOARD	Via Cadore 21 – 20035 Lissone (MI)	02111480964	Service	
AMBROGIO PAGANI SPA	STATUTORY AUDITOR	Via Stezzano 9 (BG)	01596680163	Industrial	
BANCA DEL GOTTARDO ITALIA SPA	STATUTORY AUDITOR	via Camozzi 5 (BG)	02805170160	Bank	Bank
BANCO DI S. GIORGIO SPA	STATUTORY AUDITOR	Via Ceccardi 1 (GE)	02942940103	Bank	Bank
BLUE EYES SRL	SOLE DIRECTOR	Piazza della Vittoria 8 (GE)	01444320996	Marine	
CARCO SPA	PRESIDENT AUD. BOARD	Via Boschetti n. 6 (MI)	02701280923	Industrial	
CEDIS SRL	CHIEF EXECUTIVE	Piazza della Vittoria 8 (GE)	02724570102	Service	
CEMP SPA	STATUTORY AUDITOR	Via Piemonte 16 – Senago (MI)	12901230156	Industrial	
COMDATA SPA	PRESIDENT AUD. BOARD	Via Carlo Alberto 22/A (TO)	01563810025	Service	
COMP.EUROPEA DELL'ENERGIA SPA	PRESIDENT AUD. BOARD	Via Santa Radegonda 11 (MI)	04057760961	Industrial	

FABBR.IDRAULICHE SPA	PRESIDENT AUD. BOARD	Via Miltedo di Pegli 4 (GE)	02975440104	Industrial	
FAFID SPA	PRESIDENT AUD. BOARD	Piazza del Duomo 17 (MI)	07847790586	Trust	trust
FASTWEB MEDITERRANEA SPA	STATUTORY AUDITOR	Via SS Giacomo e Filippo 7 (GE)	01152450993	Communication services	Controlled by listed Company
FUNK INTERNATIONAL SPA	STATUTORY AUDITOR	Via V. Pisani 10 (MI)	02741290155	Insurance Services	
GEMAP SPA	STATUTORY AUDITOR	Via G. Reni, 5 (PD)	00222960288	Real Estate	
GENERAL VAPEUR SPA	STATUTORY AUDITOR	Via Pascoli 9 - Gorle (BG)	01166520997	Industrial	
GOTTARDO ASSET MANAG. SGR SPA	STATUTORY AUDITOR	Via L. Mascheroni 10 (MI)	03598870966	Investment/Savings	Investment/Savings
GRU COMEDIL SRL	PRESIDENT AUD. BOARD	Via S.Egidio 42 - Fontanafredda (PN)	01069260931	Industrial	
ITALMATCH CHEMICALS SPA (became limited Company as from May 2001)	STATUTORY AUDITOR	Via P. Chiesa 7/13 (GE)	13471010150	Industrial	
LA RINASCITA SPA	STATUTORY AUDITOR	Via Guastalla 15 (MI)	03610980108	Real Estate	
MAGO' SRL	PRESIDENT AUD. BOARD	Piazza della Vittoria 8 (GE)	02293240103	Real Estate	
LUCOMED SPA (former MEDFIN SPA)	PRESIDENT AUD. BOARD	Via Santa Radegonda 11 (MI)	12096350157	Industrial	
P.L.FERRARI & CO Srl	STATUTORY AUDITOR	Via Santa Radegonda 11 (MI)	03458470105	Insurance Services	Insurance
QUEEN PLASTIC SRL	PRESIDENT AUD. BOARD	Via Lombardia 19 Carpi (MO)	01651330365	Industrial	
RGI SPA	STATUTORY AUDITOR	Via Vincenzo Monti 47 (MI)	06602910017	Industrial	Listed
SALMOIRAGHI & VIGANO' SPA	COUNCILLOR	Piazza S.Maria Beltrade 1 (MI)	12949250158	Industrial	
SAPSA BEDDING SRL	STATUTORY AUDITOR	Strada 1 Milanofiori WTC - Assago	00847220159	Industrial	
SEMAR SRL	STATUTORY AUDITOR	Via Asti 9 - Portacomaro (AT)	12382850159	Industrial	
SIVORI & PARTNERS SIM SPA	STATUTORY AUDITOR	Piazza De Ferrari 2 (GE)	03833350103	Stock brokerage co.	Stock brokerage co.
TT. ELETRONICS SRL	STATUTORY AUDITOR	Via F. Arese 12 (MI)	09712460154	Industrial	
VILLA SERENA SPA	PRESIDENT AUD. BOARD	Piazza Leopardi 18 (GE)	00262530108	Health	
VISTASI' SPA	COUNCILLOR	Piazza S.Maria Beltrade 1 (MI)	06550991001	Industrial	
VITTORIO CAUVIN SPA	STATUTORY AUDITOR	Via XX Settembre 31 (GE)	02599320104	Holding	Holding
AL.MA SPA ALIMENTARI MARITTIMI SPA	ASSISTANT AUDITOR	Via De Marini 60 (GE)	00263990103	Industrial	
ALESBET SRL	ASSISTANT AUDITOR	Via Pammatone n. 2 (GE)	01359560990	Holding	Holding
FONDO PREV. EUROSAN	ASSISTANT AUDITOR	Via Lampedusa 13 (MI)	97107900157	Investment Fund	insurance
MUTUA MEDIT. DELLE ARTI E DEI MESTIERI	ASSISTANT AUDITOR	Via Battisti 2/4 (SV)	92078990097	Investment Fund	insurance
OXFORD INSTRUMENTS SPA	ASSISTANT AUDITOR	Via Tolstoj 86 S.Giuliano Milanese(MI)	08086280156	Industrial	
SAFILO HOLDING SPA	ASSISTANT AUDITOR	Stradella dell'Isola 1 (VI)	03032950242	Holding	Holding
TELEVOICE SPA	ASSISTANT AUDITOR	Cernusco sul Naviglio (MI)	08071420015	Call center	