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, revised versions of the Biesse S.p.A. Company Bylaws have been published, (first revision in March 2001), the latest dates back April 2005 and has been approved by the Special Shareholders' Meeting held on 28th April 2005.
Full text of The Code of Conduct on which Biesse SpA' s Corporate Governance is widely based can be found at the end of this report.

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. In particular, the share capital is of € 27,393,042. divided in nr. 27,393,042. nominal shares for € 1 e.o..
At the March 27th 2006 the shareholders over the 2% quote of the share capital, as per the Shareholders Register, integrated by the other available informations received are the following:

- Bi.Fin s.r.l. 58.263%
- Financiere de l'Echiquier SA 5,004%

The Company is not informed about any existing social pact between the shareholders.

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 Managing Directors, the Executive Committee and one or more Directors for particular assignments;
- provides the Board of 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 or in any case, at least on a quarterly basis;
- 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 affairs, 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, as required by 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 Chairman among its members; moreover, it shall also be free to nominate one or more Managing Directors, 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:	Chairman and Managing Director	Executive
. Mr. Giancarlo Selci:	Managing Director	Executive
. Mrs Alessandra Parpajola	Director	Non Executive
. Mr. Innocenzo Cipolletta:	Independent Director	Non Executive
. Mr. Leone Sibani:	Independent Director	Non Executive
. Mr. Giampaolo Garattoni:	Independent Director	Non Executive

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

- the Chairman and Managing Director, 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 Managing Director, 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 2005 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 directors:

. Mr. Innocenzo Cipolletta:	Independent Director	Non Executive
. Mr. Leone Sibani:	Independent Director	Non Executive
. Mr. Giampaolo Garattoni:	Independent Director	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 (position ending 31/12/2007)
- Director of Sanpaolo Imi Internazionale S.p.A. (position ending 31/05/2005)
- Director of Banca Popolare dell'Adriatico S.p.A. (position ending 31/12/2005)
- Director of Sanpaolo Imi S.p.A (position ending 31/12/06)
- Member of the BoD of Biesse S.p.A since 29 April 2003

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

5. Chairman of the Board of Directors

With the exclusion of Law provisions, Board Meetings are usually summoned by the Chairman of his own initiative or, in his absence or impediment, by the Managing Director/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 Chairman 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 Directors 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 Chairman 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 Company Bylaws foresee that the Directors provides 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 Chairman 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 operations 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 operactions completed by each of the relevant parties in the event that they reach the threshold of 50 thousand Euro.
On November 29th 2005, CONSOB deliberated (n. 15232-15233 dated 29/11/05) some modifications and integrations to the Issuing Bodies Regulations and to the Market Regulations introduced and implemented in compliance with the Community Normative regarding Market abuse (Law Decree 58/1998). In particular, new rules have been implemented regarding holding a "Register of persons who have access to privileged information" and the "Code of internal dealing".
Throughout the transition period (01/01/06 – 31/03/06) , Biesse undertakes to implement the new CONSOB rules both in terms of market abuse (art. 152b and following) and Internal Dealing.

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 and professional characteristics, 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 limited 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.

Upon expiry of the stock option plan voted by the Meeting dated 09/10/2000, the Company set up a system of incentives linked to the achievement of economic and financial results for the Top Management (bonus).

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

. Mr. Roberto Selci Chairman and Managing Director

. Mr. Innocenzo Cipolletta Independent Director

. Mr. Giampaolo Garattoni Independent Director

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 and reliability of financial information, to the internal surveillance system, to 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 was to update the situation, in order to define a risk management policy. This policy, drawn up and approved in the course of 2005 contains a coherent set of guidelines and programmes for the management of the risk. Furthermore, it defines 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 => Invoice payment
Assets cycle:
Sales order management => Shipping and billing => Receivables
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 also approved the composition of the Internal Surveillance Committee, which, as provided for by article 10 of the Code, is composed of non executive members:

. Mr. Innocenzo Cipolletta Independent Director

. Mr. Leone Sibani Independent Director

. Mr. Giampaolo Garattoni Independent Director

Over 2005, the Internal Surveillance Committee 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 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 2005 the Committee 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 Management.

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.biessegroup.it)

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.biessegroup.it).
In 2005 Biesse S.p.A. took part in compulsory events held by the Italian Stock Exchange (STAR Milan and London events) as well as in numerous meetings organised on Biesse's own initiative with the Italian and international financial communities.

14. Board of Statutory Auditors

Article 19 of the Company Statute provides for the Board of Statutory Auditors' composition of three Statutory auditors and two assistant 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.

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   Chairman
. Mr. Adriano Franzoni   Statutory Auditor
. Mr. Claudio Sanchioni   Statutory Auditor

. Ms. Daniela Gabucci   Assistant Auditor
. Ms. Cristina Amadori   Assistant Auditor

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

. Mr. Giovanni Ciurlo

Company	Position	Headquarters	Vat Reg. number	Type of Company
BANCA DEL GOTTARDO ITALIA SPA	STATUTORY AUDITOR	via Camozzi 5 (BG)	02805170160	Bank
BANCO DI S. GIORGIO SPA	STATUTORY AUDITOR	Via Ceccardi 1 (GE)	02942940103	Bank
CATERING HOTELLERIE & FOODSERVICE SPA	STATUTORY AUDITOR	Via Santa Radegonda 11 (MI)	04273110967	Industrial
COMDATA SPA	CHAIRMAN BOARD Of AUDITORS	Via Carlo Alberto 22/A (TO)	01563810025	Service
FAFID SPA	CHAIRMAN BOARD Of AUDITORS	Piazza del Duomo 17 (MI)	07847790586	Trust
FASTWEB MEDITERRANEA SPA	STATUTORY AUDITOR	Via SS Giacomo e Filippo 7 (GE)	01152450993	Communication services
FI.L.S.E. SPA	STATUTORY AUDITOR	Via Pescheria 16 Genova	00616030102	Financial
GOTTARDO ASSET MANAG. SGR SPA	STATUTORY AUDITOR	Via L. Mascheroni 10 (MI)	03598870966	Investment/Savings
GRU COMEDIL SRL	CHAIRMAN BOARD Of AUDITORS	Via S.Egidio 42 - Fontanafredda (PN)	01069260931	Industrial
RGI SPA	STATUTORY AUDITOR	Via Vincenzo Monti 47 (MI)	06602910017	Industrial
SALMOIRAGHI &VIGANO' SPA	DIRECTOR	Piazza S.Maria Beltrade 1 (MI)	12949250158	Industrial
SIVORI & PARTNERS SIM SPA	STATUTORY AUDITOR	Piazza De Ferrari 2 (GE)	03833350103	Stock brokerage co.
VITTORIO CAUVIN SPA	STATUTORY AUDITOR	Via XX Settembre 31 (GE)	02599320104	Holding

05/08/02

COMMITTEE FOR THE CORPORATE GOVERNANCE OF LISTED COMPANIES
CORPORATE GOVERNANCE CODE

REVISED EDITION: JULY 2002

05/08/02

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CODE OF CONDUCT
Articles and Comments

1. Role of the Board of Directors

1.1. Listed companies are governed by a Board of Directors that meets at regular intervals and that sets up an organisation and operates in such a way as to ensure effective and efficient performance of its functions.

The Committee believes that the primary responsibility of the board of directors of a listed company is to set the company's strategic objectives and make sure these are reached.

In this sense the board has a guiding role that is implemented not only through the meetings of the board, to be held at regular intervals, but also through the effective commitment of each director in such meetings and in those of the committees of the board.

While recognising that shareholders can perform a useful function in the governance of a listed company, the Committee expresses its desire to see the central role of the board of directors guaranteed at all times. Besides, it recommends the boards of listed companies belonging to a group to maintain a firm management of each single company and endeavour to create the maximum value for their own shareholders, within the framework of the strategic and operational coordination implemented by the holding company.

1.2. The board of directors shall:

a) examine and approve the company's strategic, operational and financial plans and the corporate structure of the group it may head;

b) delegate and revoke powers to the managing directors and the executive committee, defining the limits, implementation and frequency, usually once every three months, with which such bodies must report to the board on the activity performed in the exercise of the powers delegated to them;

c) examine then determine the proposals of the special committee and after consultation with the board of auditors, the remuneration of the managing directors and of those directors appointed to particular positions and, where the shareholders' meeting has not already done so, subdivide the total amount of compensation to which the members of the board and of the executive committee are entitled;

d) control the general performance of the company, with special reference to situations of conflict of interest, paying particular attention to the information received from the executive committee (if established), the managing directors and the internal surveillance committee as well as carry out periodical comparisons between the results achieved and those foreseen;

e) examine and approve the operations that have a significant impact on the company's profitability, assets and liabilities or financial position, with special reference to the operations with related parties;

f) verify the adequacy of the general organisational and administrative structure of the company and of the group as established by the managing directors;

g) report to the shareholders at shareholders' meetings.

As mentioned above, the board of directors' duties include strategic guidance and organisation of the group.

The board is also the collective body in charge of checking the existence of the controls needed to monitor the performance of the

company.
Besides, the board has the power to appoint one or more managing directors and an executive committee, asking them, however, to provide adequate information on the exercise of the powers delegated to them. The Committee believes that the board has the right and the interest to monitor that management powers are not concentrated in the bodies with delegated powers without an adequate system of controls.
In fact, while it is certainly necessary for companies to have a strong executive leadership endowed with adequate powers and able to exercise them fully, it is equally necessary for the board of directors, collectively, to surveillance the management in a way that is both predetermined and agreed.
In nay case, the Committee recommends that, besides matters reserved to the board by law or company bylaws, the powers delegated to managing directors should not cover the most significant operations (including, in particular, those involving related parties); the examination and approval of such operations remain the exclusive responsibility of the board. The Committee recommends that the board of directors should establish guidelines and criteria for identifying such operations. The information supplied to the shareholders' meeting shall be sufficiently detailed, so as to make the advantages of these operations on the company readily understandable.
The appointment of an executive committee does not relieve the board of directors of any of the duties assigned to it under this article.

1.3. Directors shall act and decide autonomously and with full knowledge of the facts, pursuing the objective of creating value for the shareholders. Directors shall accept their position when they deem they can devote the necessary time to the diligent performance of their duties, also taking into account, among other things, the number of positions they hold as directors or auditors in other companies listed on regulated markets, including foreign markets, financial companies, banks, insurance companies or large companies.

The Committee recommends that each director should perform his or her own functions conscientiously and that board decisions should therefore be taken by directors who have full knowledge of the facts they are called upon to discuss and approve.
The decisions made by each director are autonomous in that each director shall take full responsibility for his or her choices made after unbiased assessment and in the interest of all shareholders. So even when management options have been assessed previously as provided for by applying laws and regulations by the controlling shareholders (individually or through shareholders' agreements), each director is required to vote autonomously, making choices that can reasonably be expected to maximise the *shareholder value*.
The creation of value for all shareholders is the main objective pursued by the directors of listed companies: the emphasis placed on *shareholder value*, apart from reflecting an internationally prominent approach, is in line with Italian law, which places the shareholders' interests as the reference parameter of the role of those in charge of the company. Furthermore, promoting the value of the shares is also, for listed companies, the requisite for a profitable relationship with the financial market.
Independence of judgement is crucial to the decisions of all directors, either executive or non-executive directors, no matter whether the latter are "independent" as defined in Article 3 below.
Reminding all directors of the amount of time they are required to devote to their position in order to carry out their duties appropriately stems from the principle by which each and every one of them must pay enough

attention of his or her position so that the company can benefit from their expertise. Each director is therefore responsible for assessing in advance his or her ability to carry out his or her duties in a diligent and effective manner.
Every year the board shall publish the positions held by directors or auditors in other companies, whether or not listed in the company's corporate governance report.

1.4. Directors are required to know the duties and responsibilities associated with their position. Managing directors shall take steps to keep the board informed of the main statutory and regulatory innovations regarding the company and the governing bodies.

The Committee believes that each and every director is responsible for knowing the duties and responsibilities associated with his or her position of director. Managing directors shall take steps to ensure that all the directors are kept updated on the main innovations in the legal framework within which the company operates, especially the legal provisions pertaining to the director's duties.

2. Composition of the board of directors

2.1. The board of directors shall be composed of executive directors (i. e. the managing directors, including the chairman where he or she has delegated powers, and those directors who perform management functions within the company) and non-executive directors. The number and authority of the non-executive directors shall be such that their views can still play a significant role in the board's decisions.

With reference to a rather usual case, it should be noted that assigning powers exclusively for emergency situations to directors who do not have delegated management powers does not qualify them as executive directors.

2.2. Non-executive directors shall bring their specific expertise to board discussions, contributing thus to decisions that are consistent with the shareholders' interests.

In Italy the number of non-executive directors is usually superior to that of executive ones. The Committee recommends that, in practice, when appointing directors, the shareholders should assess the number, experience and personal characteristics of the non-executive directors in relation to the company's size, the complexity and specific nature of its sector of activity, and the total number of directors of the board.
The fact that management powers are delegated to only some directors does not diminish the importance of the board to be really able, when carrying out its strategic and supervisory duties, to express authoritative judgements that are the fruit of authentic discussion among professionally qualified persons.
The primary role of the non-executive directors is of making a positive contribution to the performance of these duties.
Non-executive directors make board discussions more substantial by Bringing within the company expertise acquired outside, being of a general strategic or specific technical kind. Such expertise allows matters under discussion to be analysed from different points of view and thus contribute to the debate that is the distinctive prerequisite for pondered and conscious collective decisions.
The contribution of non-executive directors is also useful in issues where the interest of the executive directors and the more general interest of the shareholders might not coincide. In fact, because they are not directly involved in the management of the company, the non-executive directors can assess the proposals and the activity of the executive directors with greater detachment.

3. ***Independent directors***

3 An adequate number of non-executive directors shall be independent, in that they:
a) do not entertain, directly or indirectly or on behalf of third parties, nor have recently entertained business relationships with the company, its subsidiaries, the executive directors or the shareholder or group of shareholders who control the company, of such significance that could influence their autonomous judgement;
b) neither own, directly or indirectly or on behalf of third parties, a quantity of shares that could enable them to control or exercise a substantial influence over the company, nor participate in shareholders' agreements to gain control of the company itself.
c) are not immediate family members of executive directors of the company or of persons in the situations referred to in points a) and b) above.
3.2 Directors' independence shall be periodically assessed by the board of directors on the basis of the information provided by each interested party. The results of assessments carried out by the board shall be communicated to the market.

Independence of judgement is required of all directors, either executive or non-executive directors: directors who are conscious of the duties and rights associated with their position always bring independence of judgement to their position.

In particular, since they are not directly involved in the company management, non-executive directors are qualified to bring an independent and unbiased judgement to the resolutions proposed by the managing directors.

The Committee recommends that, in line with international practice, a number of "independent" directors should be elected to the boards of listed companies that is adequate in relation to the total number of non-executive directors and significant in terms of representation. The role of independent directors is important, not only in board discussions but also for their participation in the committees, dealt with later in the Code, established by the board of directors to address delicate issues and potential sources of conflicts of interest.

The Committee points out that the most delicate aspect in companies with a broad shareholder base is bringing the interests of the managing directors in line with those of the shareholders. In such companies, therefore, the predominant aspect is their independence from the managing directors.

On the other hand, in companies where the ownership is concentrated, or where a controlling group of shareholders can be identified, the problem of aligning the interests of the managing directors with those of the shareholders continues to exist, but there emerges the need for some directors to be independent from the controlling shareholders too, so as to allow the board to verify that cases of potential conflicts of interest between the interests of the company and those of the controlling shareholders are assessed with adequate independence of judgement

The Committee recognises, however, that this need may be attenuated where the company is controlled by a plurality of mutually independent persons, none of whom being in a dominant position.

The adequacy of the number of independent directors also depends on whether the company belongs to a group, in view of the principle of management autonomy foreseen in the regulations of the Stock Exchange in compliance with international practice. The Committee recommends that, in case a company is controlled by another listed company, the number of such directors should allow the formation of an internal surveillance committee exclusively composed of independent directors. The Committee also

recommends that, where the issuing company is controlled by a listed
or an unlisted company operating, directly or via other subsidiaries, in the
same sector or in contiguous sectors, the composition of the issuer's board of
directors should ensure adequate conditions of management autonomy and so
the maximisation of the issuer's own economic and financial objectives.
Classifying non-executive directors as independent does not imply any
particular value, either positive or negative, but is simply a matter of
fact: the absence, as the rule states, of business relationships with the
managing directors of the company (especially for companies with a
broad shareholder base) and with the controlling shareholders (especially
for companies with a concentrated ownership) of such importance,
to be evaluated on a case-by-case basis, that would affect their
independence of judgement and unbiased assessment of the activity
of the management.
On the contrary, the director's remuneration and a shareholding of a size
that does not give control or a considerable influence over the company
in question do not invalidate the requirement of independence.
The assessment of each director's independence is a duty of the
board of directors as a whole. In this respect, the committee does not
deem it useful to indicate precise criteria, quantitative or not.
As regards directors' business relationships, what matters is
their relevance rather than the fact that they are governed by market
conditions. As regards earlier business relationships, reference should be
made to the previous financial year and for business relationships and
functions of executive director, to the three preceding financial years.
For the purpose of assessing independence, "indirect" business and
shareholder relationships are also taken into account. It is therefore
necessary to consider relationships between: on the one hand, the
directors, members of their families, the professional partnerships of
which they are members, the companies they or members of their
families surveillance indirectly, and the companies of which such persons are
directors or executive managers and, on the other hand, the company in
question, the shareholders who, directly or indirectly, surveillance it, the executive
directors, and the companies such persons surveillance directly or indirectly.
The legal structure of Italian governing bodies makes it possible for
members of the executive committee of a company to be considered
non-executive and independent directors in that this committee is a collective
body that does not attribute individual powers to its members.
Lastly, the Committee believes that the presence on the board of directors
of members who can be considered as being "independent" is the best way to
guarantee the composition of the interests of all the shareholders, majority
and minority alike. Accordingly, in the correct exercise of the rights to
appoint directors, it is possible for "independent" directors to be proposed by
the controlling or majority shareholders themselves; independence is objective
and it cannot be affected by the type of shareholder proposing the appointment.

4. The chairman of the board of directors

4.1. The chairman shall call the meetings of the board and shall take steps to ensure that the members of the board are provided reasonably in advance of the date of the meeting (except in cases of necessity and emergency) with the documentation and information needed for the board to express an informed view on the matters it is required to examine and approve.

4.2. The chairman shall co-ordinate the activities of the board of directors and moderate its meetings.

4.3. When, in order to achieve the effective and efficient management of the company, the board has delegated powers to the chairman, it

shall publish adequate information in its annual report on the powers delegated following that organisational choice.

The Committee believes that the role of the chairman is fundamental to ensure the effective activity of the board and an efficient *Corporate Governance*. The chairman is responsible for calling meetings, drawing up the agenda, ensuring (upon agreements with the managing directors) the distribution of adequate and timely information to the directors (especially the non-executive directors) and making sure that all the directors can make a knowledgeable and informed contribution to board discussions.

Cases of necessity and emergency may arise. The Committee believes that in some circumstances the nature of the issues discussed, the need for confidentiality (especially for companies whose activity involves the interests of third parties) and the rapidity with which the board must make decisions may impose limits on the information to be provided beforehand.

While considering that, in principle, chairman and managing directors each have their own duties, the Committee notes that it is not infrequent in Italy for the same person to hold both positions or for some management powers to be delegated to the chairman even in the presence of managing directors.

Within the limits of the powers delegated to him, the chairman is also a managing director.

The Committee therefore believes that, wherever deemed desirable in order to achieve a more efficient management of the company, the board of directors may delegate management powers to the chairman alone or to others as well. In such case the board should include adequate information in its annual report on the duties and responsibilities of the chairman and the managing directors.

5. Information to supply to the board of directors

The executive committee - in the person of its chairman - and the managing directors shall periodically report to the board of directors on the activities performed in the exercise of their delegated powers.

Besides, the bodies with delegated powers shall provide adequate information on any operations that are atypical, unusual or with related parties whose examination and approval are not reserved to the board of directors.

They shall provide the board of directors and the board of auditors with the same information.

The Committee recommends that the exercise of the powers delegated to bodies (managing directors and executive committee) should come with adequate and regular information to the board, on an organised basis.

The frequency of such reports depends on the importance of the delegated powers and the frequency with which they are exercised and may also vary with the sector in which the company operates and the size of the company.

The Committee recommends that the bodies with delegated powers should pay particular attention to (along with specific information) the most delicate matters, i.e. operations that are atypical, unusual or with related parties.

Such operations, which are certainly legitimate when undertaken in the interest of the company, must, however, either be approved by the board of directors as a whole, as in the case of those of particular significance referred to in Article 1.2, sub-paragraph e), or, when carried out on the basis of delegated powers or when not of material significance, be reported adequately to all the members of the board.

Lastly, the Committee believes that, since the board of directors is required by law to inform the board of auditors, all the directors must possess at least as much information as is provided to the board of

auditors.

6. Handling of confidential information

6.1. The managing directors shall ensure the correct handling of confidential information; to this end they shall propose to the board of directors the adoption of procedures for the internal handling and disclosure of information concerning the company, with special reference to *price-sensitive* information and information concerning operations involving financial instruments carried out by persons whose positions give them access to relevant information.

6.2. All the directors are required to treat the documents and information they acquire in the performance of their duties as confidential and to comply with the procedures adopted for the disclosure of such documents and information.

In view of the importance of the disclosure of information, both for investors and for the regular formation of prices on the financial markets on which they are listed, listed companies must pay special attention to the diffusion of information outside the company, especially if it is *price sensitive*.

The Committee recommends that, also in view of the positive value of correct disclosure of information to the market, listed companies should adopt internal procedures for the handling of such information in order to prevent its being communicated selectively (i.e. given early to certain persons, for instance shareholders, journalists or analysts) or in an untimely, incomplete or inadequate manner. The managing directors shall propose the adoption of such procedures to the board of directors and shall take care of the handling of confidential information and the communication to the market of *price-sensitive* information.

The system for handling information shall include the code of conduct that the applying regulations require each issuer to draw up in order to govern the disclosure requirements regarding operations on financial instruments carried out by directors, managers, auditors and other persons whose positions give them access to relevant information (known as relevant persons). In identifying such persons, issuers can also consider the persons in charge of operational departments and of legal and corporate services, finance and communication. Issuers shall inform the relevant persons of their obligations and responsibilities with reference to operations that are covered by the code of conduct and provide them with the assistance needed to ensure that such operations can be notified to the company as soon as possible and according to the conditions, including electronic transmission, established by the company. Every issuer shall assess the possibility of specifying shorter intervals than those established in the regulations for the disclosure to the public of information on the operations carried out by the relevant persons.

The Committee deems it necessary to emphasise the absolutely confidential nature of the information acquired by the directors in the course of their functions and call upon them to comply with the communication procedures as approved by the board of directors.

7. Appointment of directors

7.1. Proposals for appointments to the position of director, accompanied by detailed information on the personal and professional characteristics of the candidates with indications of their likely eligibility to qualify as independent directors as provided for in Article 3, shall be deposited at the company’s offices at least 10 days before the date set for the shareholders' meeting or at the time the election lists, if provided for, are deposited.

7.2. Where the board of directors has set up a committee to propose candidates to the position of director, the majority of the members of such committee shall be non-executive directors.

The Committee recommends that the nomination of members of the board of directors should take place in compliance with a transparent procedure.
In general, proposals for the position of directors are put forward by the majority or controlling shareholders, who obviously make a preliminary selection of the candidates.
On the other hand, in the case of companies with a broad shareholder base, candidates are also put forward, sometimes by means of election lists provided for in the company bylaws, by minority or non-controlling shareholders.
In both cases it is in the interest of all the shareholders to know the personal and professional characteristics of each candidate (as well as the positions they already hold) sufficiently in advance for them to be able to cast their votes in an informed manner, especially in the case of institutional investors, which are often represented by proxies in shareholders' meetings.
The Committee believes that it is also possible for such characteristics to be assessed in relation to the positions that each candidate might be called upon to hold in the company (chairman, managing director, member of the executive committee, etc.).
The Committee has foreseen the possibility of listed companies establishing a nomination committee, especially in cases where the board deems it difficult for shareholders to make proposals, as may be the case in listed companies with a broad shareholder base.
In such cases the Committee recommends the establishment of a nomination committee, and acknowledges that the function can be performed by the board of directors itself when it is composed of a limited number of directors.
This committee, which can obviously receive proposals from shareholders as well as formulating its own autonomously, has the main purpose of making the selection procedure transparent. The majority of the members of the committee should be non-executive directors.

8. Remuneration of directors

8.1. The board of directors shall form an internal committee on remuneration and *stock option* or equity based remuneration plans. The committee, the majority of whose members shall be non-executive directors, shall submit proposals to the board, in the absence of the persons directly involved, for the remuneration of the managing directors and of those directors who are appointed to particular positions and, on indication from the managing directors, for the definition of criteria to be used for the remuneration of the company’s top management. To this end the committee may use the services of external consultants at the company’s expense.

The issue of the remuneration of managing directors and those directors with special duties can, in nearly all listed companies, be largely based on a practice similar to that which it is intended to institutionalise here. In fact, the drawing-up of a proposal for such remuneration is usually delegated to directors who are non-executive or in any case who are able to make proposals without the risk of any conflicts of interest.
The Committee therefore recommends the establishment of a remuneration committee, mainly composed of non-executive directors. The establishment of such a committee does not give rise to any particular problems under Italian law since, in line with the second paragraph of Article 2389 of the Civil Code, the committee’s function is only to make proposals, and that the power to establish the “remuneration of directors appointed to particular positions as provided for by the deed of incorporation” remains the responsibility of the board of directors.

The remuneration committee is also in charge of identifying and proposing to the board, on the basis of the indications supplied by the managing directors, the adoption of general criteria for the remuneration of the top management of the company able to attract and motivate persons with adequate ability and experience. The committee may use the services of consultants, who may prove useful in providing the necessary information on market standards for remuneration systems.

Determining the politics and levels of the remuneration of top management obviously remains the duty of the managing directors.

8.2. As a general rule, in determining the total remuneration of the managing directors, the board of directors shall set a part of said remuneration to be linked to the company's economic results and, possibly, to the achievement of specific objectives laid down in advance by the board of directors itself.

The Committee believes that the appropriate structuring of the total remuneration of managing directors is one of the major ways of aligning the interests of the managing directors with those of the shareholders and that the establishment of systems of variable remuneration linked to results, including **stock options**, facilitates motivation and loyalty of the entire top management team.

However, it is the duty of the board of directors, upon proposals from the remuneration committee, to decide whether to make extensive use of such systems of remuneration and to define the objectives of the managing directors.

9. Internal surveillance

9.1. The internal surveillance system is the set of processes aiming at monitoring the efficiency of the company's operations, the reliability of financial information, compliance with laws and regulations, and safeguarding of the company's assets.

9.2. The board of directors is responsible for the internal surveillance system, whose guidelines shall be laid by the board of directors, and periodically check its adequacy and working effectiveness, ensuring that the main risks facing the company are identified and managed appropriately.

9.3. The managing directors shall identify the main risks facing the company and submit them to the board of directors for examination; they shall implement the guidelines of the board of directors through planning, managing and monitoring of the internal surveillance system and shall appoint one or more persons in charge of it and provide them with appropriate resources.

9.4. The persons in charge of the internal surveillance system shall not depend hierarchically on a person responsible for operational departments and shall report on their activity to the managing directors and to the internal surveillance committee, as provided for in Article 10 below, and the auditors.

Although the Committee is aware that no surveillance system can entirely prevent events leading to unexpected losses or unintentional misrepresentations of operational facts, it believes that the establishment of an effective internal surveillance system is a key aspect of the good management.

The internal surveillance system can be arranged in different ways, according to the situation of each company.

In accordance with international practice, derived from the work of the *Committee of Sponsoring Organizations of the Treadway Commission (the COSO Report)*, the definition adopted highlights the nature of a "process" that involves all the company's positions and aims at achieving the four main objectives indicated in the text. The board of directors

is responsible for the internal surveillance system. The Committee therefore recommends that this body should be responsible for laying down the guidelines for internal surveillance and company risk management as well as that of periodically checking the good working order of the internal surveillance system, with the help of the internal surveillance committee and the person in charge of the internal surveillance system.
In view of the best practice implemented in listed companies and the supervisory regulations applying to some categories of financial intermediaries, the Committee recommends that the persons in charge of the internal surveillance system should be free from hierarchical ties with the persons subject to their control, in order to prevent interference with their independence of judgement.
In companies that have an *internal audit* department, the person in charge of the internal surveillance system can also be the head of the internal audit department.
In companies that do not have an internal audit department, the board of directors shall periodically assess the validity of instituting one.
The internal surveillance system covers both financial risks and operational risks, including, therefore, those arising in connection with the effectiveness and efficiency of operations and compliance with laws and regulations.
The persons in charge of the internal surveillance system shall report to the managing directors to allow them to intervene in due time where necessary and to the internal surveillance committee and the auditors to keep them informed of the results of their activity.

10. Internal surveillance committee

10.1. The board of directors shall establish an internal surveillance committee, with consulting and proposal-making role, composed of non-executive directors, the majority of which shall be independent. The chairman of the board of auditors or another auditor appointed by the chairman of the board shall attend the committee's meetings.

10.2. In particular the internal surveillance committee shall:

a) assist the board in performing the duties referred to in Article 9.2;

b) assess the work programme prepared by the persons in charge of internal surveillance and receive their periodic reports;

c) assess, together with the administration managers of the company and the external auditors, the adequacy of the accounting standards adopted and, in the case of groups, their uniformity so that the consolidated balance sheet can be drawn-up;

d) assess the proposals expressed by auditing firms to obtain the the auditing job, the work programme foreseen to carry out the audit and the results contained in the report and the letter of suggestions;

e) report to the board of directors on its activity and the adequacy of the internal surveillance system, at least once every six months, at the time of approval of the annual and semi-annual accounts;

f) perform the other duties entrusted to it by the board of directors, particularly as regards relations with the auditing firm.

The Committee recommends that the board of directors, when carrying out its own supervisory duties, should establish an internal surveillance committee in charge of analysing problems and implementing any relevant procedures for the surveillance of the company's activities.
This committee is the formally constituted body able to make autonomous and independent assessments regarding both the managing directors, for issues concerning the safeguarding of the company's integrity, and the

auditing firms, for assessing the results expressed in the report and the letter of suggestions.
This explains the composition of the committee, which is made up of a majority of independent directors and, in case the company is controlled by another listed company, exclusively of independent directors (see comment to Article 3 above). Consistently with the functions of the committee, provision is also made for the chairman of the board of auditors or another auditor appointed by the chairman to attend the meetings as representatives of the statutory surveillance body.
The managing directors may also attend the meetings held by the internal Control committee in that they are entitled to intervene in the matters being Examined and to identify adequate measures to face potentially critical situations.
The list of the committee's duties is not exhaustive, in that the board of directors can decide, in view of the company's characteristics and the particular types of risk incurred in its business activity (consider banks and insurance companies), to assign other duties to the committee.

11. Operations with related parties

11.1. Operations with related parties shall comply with criteria of substantial and procedural fairness.

The definition of operations with related parties can be derived, among other things, from the international accounting standards (IAS 24). The reference to *fairness* reflects best international practice as well as corresponding to the Italian legislation on conflicts of interest. Substantial fairness means the fairness of the operation from the economic point of view, as, for example, when the transfer price for some assets is in line with market prices. Procedural fairness means compliance with the procedures that aim at ensuring the substantial fairness of operations.

11.2. Directors who have an interest, even potential or indirect, in operations with related parties shall:

a) promptly provide the board with detailed information on the existence of the interest and related circumstances;

b) abandon the board meeting when the discussion takes place.

The Committee believes that the board should be told in advance and in sufficient detail of any interests that directors may have in a particular operation, so that the other directors can be fully informed about the extent and relevance of such interests, regardless of the existence of a conflicting situation.
The Committee shall let the board assess the situation and take the most appropriate decisions whereby directors abandoning the meeting when the issue is discussed would compromise the necessary *quorum*.

11.3. Where the nature, value or other characteristics of an operation with related parties make this necessary, and in order to avoid different conditions being agreed from those that might have been agreed between unrelated parties, the board shall ensure that the operation is concluded with the assistance of independent experts for the valuation of assets and for financial, legal or technical advice.

Substantial fairness can be pursued by adopting a code of conduct which can be derived from international best practice and widely followed in Italy, at least for non repetitive operations and, in any case of major operations, such as the use of advisors (banks, auditing firms and other experts) for the issuance of fairness opinions and of lawyers for the issuance of legal opinions. The Committee recommends that boards should carefully assess the independence of experts and, when dealing with more important operations, the committee suggests that different experts should be called in for each related party in order to reinforce this independence,

12. Relations with institutional investors and other shareholders

In complying with the procedure for the disclosure of documents and

information concerning the company, the chairman of the board of directors and the managing directors shall endeavour to establish a dialogue with shareholders as well as institutional investors based upon understanding of their reciprocal roles. They shall designate a person to be in charge of this function or, if appropriate, create a corporate structure to be responsible for this function.

The Committee believes that it is in the interest of listed companies to establish a continuous dialogue with all the shareholders and, in particular, with institutional investors.

In fact, correct, complete and continuous communication with shareholders is rather appreciated by present and prospective investors.

Given the special role and functional specialisation of institutional investors, the Committee recommends that companies identify the person responsible for relations with investors and that highly capitalised companies with a broad shareholder base set up a corporate structure devoted to this function and give it adequate means and professional skills. The Committee also acknowledges the fact that, in smaller companies with a simpler organisation, the person in charge of handling relations with investors can be performed directly by appropriately identified members of the top management of the company.

Indicating that any dialogue with institutional investors must be established in compliance with communication procedures stands as a reminder that said dialogue with institutional investors must not lead to the communication of important facts before they are disclosed to the market.

The Committee deemed that the behaviour of institutional investors was beyond the scope of its competence. However the Committee expresses hope that institutional investors shall recognise the fact that the importance of the rules of Corporate Governance contained in this Code may prove to be an important element for a more convinced and widespread application of the Code's principles by listed companies.

13. Shareholders' meetings

13.1. The directors shall encourage and facilitate the broadest possible participation of shareholders in shareholders' meetings.

13.2. As a general rule, all the directors shall attend shareholders' meetings.

13.3. Shareholders' meetings shall also be an opportunity to provide shareholders with information on the company, in compliance with the procedures concerning *price-sensitive* information.

The Committee believes that, even where the means of communication with shareholders, institutional investors and the market are widely diversified (including electronic systems), shareholders' meetings continue to be an opportunity to establish a profitable dialogue between directors and shareholders. As far as this dialogue is concerned, it is to be borne in mind that it is the companies' precise duty not to communicate price sensitive information to shareholders without simultaneously disclosing it to the market.

Accordingly, the Committee recommends that, in choosing the place, date and time for shareholders' meetings, directors should bear in mind the objective of making it as easy as possible for shareholders to attend and, since such meetings are an opportunity for dialogue between shareholders and directors, that the latter should be present, especially those who, on the grounds of their functions in the board of directors and/or the committees, can make a useful contribution to the meeting's discussion.

13.4. The board of directors shall propose for the shareholders' approval a set of rules to ensure the orderly and effective running of the

company's ordinary and extraordinary shareholders' meetings, guaranteeing the right of each shareholder to speak on the matters under discussion.

The Committee recommends that companies should establish a set of rules to define procedures to be followed in order to allow the orderly and effective meetings, without compromising the right of each shareholder to express his or her opinion on the matters under discussion.

Among other issues, the rules shall indicate the maximum duration of individual interventions, their order, voting procedures, interventions by directors and auditors, as well as the powers of the chairman, also in view of settling or preventing conflicting situations during meetings.

13.5. In cases of significant variations in the general capital value, the composition and number of shareholders, the directors shall assess whether proposals should be formulated to the shareholders' meeting to amend the company's bylaws regarding the percentages required to implement actions and exercise the prerogatives provided for to protect minorities.

With reference to the standards set up to protect the rights of minorities that require minimum percentages to be fixed for the exercise of actions and prerogatives of the minorities themselves, the Committee recommends that directors should continuously assess the possibility of adapting such percentages in relation with the evolution of the size and shareholder structure of the company.

14. Auditors

14.1. Proposals to the shareholders' meeting for appointments to the position of auditor, accompanied by detailed information on the personal and professional characteristics of the candidates, shall be deposited at the company's offices at least 10 days before the date set for the shareholders' meeting or at the time the lists are deposited.

14.2. The auditors shall act autonomously and independently from shareholders, including those who have elected them.

14.3. The auditors are required to keep the documents and information they acquire during the performance of their duties as confidential and to comply with the procedure adopted for the disclosure of such documents and information outside the company.

As provided for in Article 7.1 for the appointment of directors, the Committee recommends that auditors should also be elected by means of a transparent procedure and that shareholders should receive the information they need to exercise their voting rights in an informed manner.

The Committee believes that in a correct system of Corporate Governance, the interests of all shareholders must be placed on the same level and equally protected and safeguarded.

It is the Committee's conviction that the interests of the majority and those of minorities must confront each other when appointing the governing bodies; subsequently, the governing bodies, and therefore the auditors too, must work exclusively in the interest of the company and to create value for all the shareholders.

Accordingly, the auditors proposed or elected by the majority or the minority are not their "representatives" on the board and even less are they authorised to communicate information outside the board, especially to the shareholders who elected them. They must also comply with the procedure established for the disclosure outside the company of information concerning the company.

COMMITTEE
Stefano PREDA
Benito BENEDINI
Enrico BONDI
Guido CAMMARANO
Massimo CAPUANO
Innocenzo CIPOLLETTA
Fedele CONFALONIERI
Davide CROFF
Alfonso DESIATA
Massimo FERRARI
Gabriele GALATERI DI GENOLA
Franzo GRANDE STEVENS
Berardino LIBONATI
Adolfo MAMOLI
Pietro MARZOTTO
Rainer MASERA
Vittorio MERLONI
Stefano MICOSSI
Alessandro PROFUMO
Maurizio SELLA
Sergio SIGLIENTI
Angelo TANTAZZI
Francesco TARANTO
Marco TRONCHETTI PROVERA
EXPERTS
Guido FERRARINI
Marco ONADO
Roberto RUOZI
SECRETARY
Michele MONTI

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