

**ELICA S.p.A.**

[www.elicagroup.com](http://www.elicagroup.com)

**CORPORATE GOVERNANCE AND OWNERSHIP  
STRUCTURE REPORT**

**pursuant to Art. 123 *bis* of the Consolidated Finance Act  
(traditional administration and control model)**

**Year 2012**

**(updated to March 15, 2013 and approved by the Board of Directors  
on March 15, 2013)**

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## 1. INTRODUCTION

The present report illustrates, in accordance with Article 123-*bis* of Legislative Decree 58/98 (“**Consolidated Finance Act**” or “**CFA**”) the Corporate Governance system adopted by Elica S.p.A. (“Elica” or the “Company”) in 2012 and updated at March 15, 2013, in line with the recommendations of the Self-Governance Code, issued by Borsa Italiana and approved, in December 2011, by the Corporate Governance Committee (the “**Self-Governance Code**” or the “**Code**”).

The disclosures relating to the remuneration of the corporate officers and senior management are contained in the Remuneration Report prepared pursuant to Article 123-*ter* of the CFA, in accordance with Attachment 3A, Schedule 7-*bis*, of Consob Resolution No. 11971/1999 and subsequent amendments (“**Issuers’ Regulations**”) and published together with the present Report, in accordance with the provisions of Article 84-*quater* of the Issuers’ Regulations (“**Remuneration Report**”).

## 2. INFORMATION ON THE OWNERSHIP STRUCTURE (AS PER ARTICLE 123 BIS, PARAGRAPH 1, CFA)

### a) Shareholders (as per Article 123-*bis*, paragraph 1, letter a), CFA)

Amount of subscribed and paid-in share capital: **Euro 12,664,560.**

Categories of shares that make up the share capital: **63,322,800** ordinary shares with a nominal value of Euro 0.20 each (see “**TABLE 1 - INFORMATION ON THE SHARE CAPITAL**” – “**SHARE CAPITAL STRUCTURE**”).

Elica has not issued other share categories at the date of this Report, nor convertible financial instruments which confer newly issued share subscription rights.

In relation to the share-based incentive plans in place in 2012, reference should be made to the Disclosure Document concerning the share-based remuneration plans, approved by the Shareholders’ Meetings of June 26, 2010<sup>1</sup>, in addition to the financial statements

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<sup>1</sup> Disclosure Document prepared in accordance with Article 84-*bis* of the Issuers’ Regulations of March 30, 2010 and updated on August 6, 2010, April 28, 2011 and March 21, 2012, available on the internet site of the company in the Investor Relations/Notices and Documents section.

of the company at December 31, 2012 and Table 3A of the Remuneration Report.

**b) Restriction on the transfer of shares (as per article 123-bis, paragraph 1, letter b), CFA)**

The By-laws do not contain any restrictions on any type of share transfer.

**c) Significant holdings (as per article 123-bis, paragraph 1, letter c), CFA)**

Significant shareholdings in the share capital are indicated in “**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**” – “Significant holdings” based on the information available to the Company at March 15, 2013.

**d) Shares which confer special rights (as per article 123-bis, paragraph 1, letter d), CFA)**

The Company has not issued shares which confer special controlling rights.

**e) Employee shareholdings: voting mechanism (as per article 123-bis, paragraph 1, letter f), CFA)**

Not applicable.

**f) Voting restrictions (as per article 123-bis, paragraph 1, letter f), CFA)**

The By-laws do not contain any restrictions on voting rights.

**g) Shareholder agreements (as per article 123-bis, paragraph 1, letter g), CFA)**

On December 10, 2007, FAN S.A. (now “FAN S.r.l.”), the parent company of Elica S.p.A., and Whirlpool Europe S.r.l. (“**Whirlpool**”) signed a shareholder agreement (the “**Shareholder Agreement**”). Under the Shareholder Agreement, Whirlpool and the Company signed a Share Option Agreement (the “**Share Option Agreement**”).

This Agreement was modified through two additional agreements signed between Whirlpool and Elica respectively on December 3, 2008 (the “**Modifying Agreement**”) and June 15, 2009 (the “**Second Modifying Agreement**”).

On December 18, 2009, Whirlpool S.r.l. and Elica signed, thus confirming their respective obligations, the communication issued by FAN S.A. relating to the merger by incorporation of the same into Prop S.r.l., which at the same time changed its name to FAN S.r.l. Following the merger, FAN S.r.l. with registered office in Rome, via Parigi, No.11, registered in the Rome Company Registration Office at No.10379911000, assumed the rights and obligations of FAN S.A. and continues all activities of FAN S.A., including the Shareholder Agreement.

On March 8, 2010, Whirlpool and FAN S.r.l. signed a further modification to the Agreement under which the parties agree that, among other issue, any provision of the Agreement dependent on the holding by Whirlpool of 10% of the share capital of Elica at the closing of the option period, as extended by the Second Modifying Agreement, is fully enacted.

On December 18, 2010, Whirlpool and FAN s.r.l. announced that the Agreement had been renewed for a further 3-year period and without amendment.

The matters outlined above had no impact on the control of Elica which pursuant to article 93 of the Consolidated Finance Act, continues to be indirectly held by Ms. Gianna Peralisi.

At ATTACHMENT 1 the full Extract of the latest Shareholder Agreement communicated to Consob in accordance with Article 122 of Legislative Decree No. 58/1998 is reported.

**h) Change of control clause (as per article 123-bis, paragraph 1, letter h), CFA) and statutory provisions concerning Public Purchase Offers**

Agreements are in place of a commercial and financial nature and/or concerning investments of the Company in its subsidiaries, of a confidential nature, which provide for the right to withdrawal or to purchase/sell shares of the subsidiaries to the other contracting party, in the case of change of control of the Company. The resolution of an individual agreement would not significantly impact the Company.

The Company By-Laws do not provide for exceptions to the passivity rule pursuant to Article 104, paragraphs 1 and 1 of the CFA, nor the application of the neutralisation rules pursuant to Article 104-bis, paragraphs 2 and 3 of the CFA.

**i) Power to increase the share capital and authorisation to purchase treasury shares (as per article 123-bis, paragraph 1, letter m), CFA)**

At the date of the Present Report, the Board had not been granted powers to increase the share capital under Article 2443 of the Civil Code.

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With reference to the purchase of treasury shares, the Shareholders' Meeting of April 27, 2012 of Elica approved the procedures and delegated powers to the Board of Directors of the Company, as per Articles 2357 and 2357 *ter* of the Civil Code, to purchase (for a period of 18 months) and utilise (without time limits) ordinary shares of the Company, establishing the manner of completion and delegating to the Board of Directors the power to take any necessary actions in order to give effect to resolutions in accordance with applicable laws.<sup>2</sup>

At the date of the present Report, the Company had not carried out purchases under the above stated resolution, nor were changes registered to the number of treasury shares in portfolio of the Company in 2012.

The Company therefore continues to hold in portfolio 3,166,140 treasury shares, for a total of 5% of the share capital, following the purchases and sales made in years prior 2012.<sup>3</sup>

The Shareholders' Meeting called for the approval of the 2012 Annual Accounts will, among other issues, be requested to renew the approval for the purchase and utilisation of treasury shares. Acceptance of the proposal would result in, among other issues, the withdrawal of the previous authorisation granted on April 27, 2012, for that part not utilised.

**l) Direction and co-ordination activities (as per Article 2497 of the Civil Code)**

The company is not subject to management and co-ordination pursuant to Art. 2497 and subsequent of the Civil Code.

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<sup>2</sup> For further information, reference should be made to the Report of the Board of Directors' of Elica S.p.A. relating to the proposal to authorise and utilise Treasury Shares of March 21, 2012, available on the Company website.

This conclusion derives from the fact that the majority shareholder does not carry out management activities within the company and, although exercising their voting rights at the shareholders' meeting, does not exercise any managerial directives or have any involvement in the production and financial programmes. The Company therefore carries out its operations through a totally autonomous and independent decision-making process.

The disclosure required by Article 123-*bis*, paragraph 1, letter i) of the CFA are contained in Section 1 of the Remuneration Report, while the disclosure required by Article 123-*bis*, paragraph 1, letter l) are illustrated in the subsequent section "4.1 Appointment and replacement (as per Article 123 *bis*, paragraph 1, letter l) of the CFA" below of the present Report.

### **3. COMPLIANCE (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER A), CFA)**

The company complies with the Self-Governance Code issued by Borsa Italiana S.p.A. and approved by the "Corporate Governance Committee" (December 2011 Edition).

Where the recommendations of the Code are not applied, the reasons for such are provided in the present report.

The Self-Governance Code is available on the website of Borsa Italiana S.p.A.: [www.borsaitaliana.it](http://www.borsaitaliana.it)

The Company, and its subsidiaries, are not subject to laws in force outside Italy which affect the Corporate Governance structure of Elica.

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<sup>3</sup> For further details on the Agenda, reference should be made to the 2011 Corporate Governance and Ownership Structure Report, Section 2 letter i), available on the internet site of the Company / *Investor Relations / Corporate Governance / Corporate Governance Reports*.



## **4. BOARD OF DIRECTORS**

### **4.1 Appointment and replacement (as per article 123-bis, paragraph 1, letter l), CFA)**

The appointment and replacement of directors is governed by article 16 of the By-laws, which provides for the voting of slates; this mechanism was adopted on the renewal of the Board of Directors, latterly resolved by the Shareholders' Meeting of April 27, 2012. For further information on the manner of appointment of the Directors, reference is made to the subsequent section "Method for electing the Corporate Boards".

All amendments to the By-Laws are made based on the provisions of law and the by-laws themselves. In particular, in accordance with article 19.2 of the By-Law, which adheres to article 2365 of the civil code, adjustments to the by-laws in accordance with law are reserved to the Board of Directors.

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In relation to succession plans, on November 14, 2012, the Board evaluated whether to adopt a succession plan for Executive Directors, pursuant to the provisions of Article 5.C.2. of the Code. The Board, considering the recent assumption of office by the C.E.O.<sup>4</sup> and the strong links binding the other Executive Directors to the Company, decided not to adopt a succession plan for Executive Directors and to postpone evaluation of the matter to a subsequent meeting.

### **4.2 Composition of the Board of Directors (as per article 123-bis, paragraph 2, letter d), CFA)**

The Board of Directors of the Company, in accordance with article 2 of the Self-Governance Code, is comprised of executive and non executive directors with sufficient skills and levels of professionalism. With the assumption of office of the C.E.O. on September 13, 2012, the number of Independent Directors on the Board of the Company reduced by one, although still in compliance with the legal minimum. Consequently, the Appointments and Remuneration Committee proposed the appointment of a new

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<sup>4</sup> For further information, reference should be made to the Press Release of September 13, 2012.

independent member to the Board. The proposal was accepted by the Board which, supplementing the proposal, proposed to the Shareholders' Meeting called for the approval of the 2012 Annual Accounts, the appointment of a new Director which, in addition to being independent, is professionally qualified in relation to industrial processes and product development.<sup>5</sup>

As per article 16 of the By-laws, the Company is administered by a Board of Directors made up of between 5 and 11 members, including non-shareholders.

On April 27, 2012, the Ordinary Shareholders' Meeting of the Company, adopting the so-called "slate voting" system, conferred administration of the system to a Board of Directors comprising of 7 members, which will remain in office until the approval of the financial statements at December 31, 2014, appointing Mr. Francesco Casoli as the Chairman of the Board of Directors.

At the above-stated Shareholders' Meeting, two slates for the appointment of Directors were presented. One slate was presented by the majority shareholder FAN S.r.l. ("Majority Slate" or "Slate 1") and proposes as Directors Messrs: Casoli Francesco, Sasso Andrea, Pieralisi Gennaro, Romiti Stefano, Perucchetti Giuseppe and Pieralisi Gianna. The other slate was presented by the Shareholders FIRST CAPITAL S.p.A. and IMMI INVEST S.r.l. ("Minority Slate" or "Slate 2") and proposes as Directors Messrs.: Magri Elena and Menghini Massimo. The Minority Slate was not connected in any way with the Majority Slate.

The result of the voting of Shareholders present at the Shareholders' Meeting was as follows:

- votes in favour of Slate 1 – 33,846,665, equal to 90.8045% of votes;
- votes in favour of Slate 2 – 3,342,539, equal to 8.9674% of votes;
- abstaining votes 46,977, equal to 0.1260% of votes; and
- not voting 38,019, equal to 0.1020% of votes.

Therefore the following were appointed as Directors: Casoli Francesco, Sasso Andrea, Pieralisi Gennaro, Romiti Stefano, Perucchetti Giuseppe, Pieralisi Gianna and Magri Elena.

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<sup>5</sup> For further information on the matter, reference should be made to the Directors' Report to the Shareholders' Meeting called for April 24, 2013 on the appointment of a new Director, available on the Company website, Investor Relations / Notices and Documents section.

For further details on the composition of the Board of Directors of the Company at December 31, 2012, which is the same as the composition of the Board at the preparation of the present Report, reference should be made to “**BOARD OF STATUTORY AUDITORS**”

The curriculum vitae of the directors are summarised below.<sup>6</sup>

**Francesco Casoli:** Chairman of the Board of Directors of the Company from April 12, 2006; previously he was the Chief Executive Officer. He is the son of Ermanno Casoli, founder of Elica S.p.A., in which he has worked since 1978; in 1990, at just 29 years of age, he was appointed Chief Executive Officer of the Company. He is the Chairman of FAN S.r.l. and the Sole Shareholder of Fintrack S.p.A. From June 2005 to March 2006, he was the Chairman of Assindustria in the Province of Ancona. At the elections of April 9 and 10, 2006, he was elected to the Senate of the Italian Republic and re-elected in the elections of 2008.

**Giuseppe Perucchetti:** C.E.O. of Elica S.p.A. since September 13, 2012; previously, from August 2011, he served as an Independent Director of the Company. Having graduated in Industrial Business Economics from the Bocconi University of Milan, he served in various roles in a number of leading companies. In the mid-1980's he began his career with Philips (IRE) as an assistant in the sales department. After 5 years he moved to Whirlpool, where he remained for 22 years, operating both domestically and internationally and within a number of departments. His final position with Whirlpool was Senior Vice President of Whirlpool Europe, Middle East and Africa and Council Chairman of Whirlpool Corporation. He has acted also as a management consultant. Currently he collaborates with the Regional Economics University Research Centre and is a contracted lecturer at the Economics Faculty of the University of Milan-Bicocca.

**Gianna Pieralisi:** She has been an Executive Director of Elica S.p.A. since April 12, 2006. Between May 29, 1998 and April 12, 2006, she was Chairperson of the Board of Directors of the Company. She is the mother of the current Chairman of the Board of Directors. She acted as Chairperson of the Board of Directors of Air Force S.p.A. from March 2003 to April 2006. She is a director of FAN S.r.l.

**Gennaro Pieralisi:** He has been a member of the Board of Directors of Elica S.p.A. since 1970 and is a cousin of Ms. Gianna Pieralisi. Since the beginning of the 1980s, he has been the Chief Executive Officer of the businesses of the Pieralisi Group, in which, from 1998 he was also Chairman of the Board of Directors. In 1999 he received the Cavaliere del Lavoro knighthood of the Italian Republic. In June 2003, he was conferred the *Laurea Honoris Causa* in Agricultural Sciences and Technology; in addition to managing the family businesses he has fulfilled and currently holds various roles in industry associations and institutes such as Confindustria Ancona, Confindustria Marche, Confindustria, Confidi di Ancona, Assonime, Previndustria and the Bank of Italy, Ancona offices. He was a director of Banca Carifano and has held and continues to hold directorships on a number of Italian companies.

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<sup>6</sup> Indication of involvement of directors in other companies listed on regulated markets (also foreign), in finance, banking, insurance or large enterprises, is reported in the following paragraph: “Maximum number of offices held in other companies”

**Stefano Romiti:** He has been a member of the Board of Directors of Elica S.p.A. since April 12, 2006. He is Chairman of Antares Private Equity S.p.A.: private equity investment holding company and a Director of Antares Advisory which controls the former. Previously, he was a Director of Telesia S.p.A., from February 2009 he worked at Banca Akros S.p.A. and from November 2006 he was the Chief Executive Officer of Arner Corporate Finance S.p.A., while from January 2006, he was the Chief Executive Officer of Pentar S.p.A.; from 2001 to 2005 he was the Chief Executive Officer of Deloitte & Touche Corporate Finance S.r.l. (now Deloitte Financial Advisory Services S.p.A.). Between 1992 and 2001 he was the Chief Executive Officer of Ernst & Young S.p.A. Previously from 1982 to 1992, he worked with Deloitte & Touche and from 1981 to 1982 with the Banca Nazionale del Lavoro. He is a contracted professor of Corporate Finance at the Economics Faculty of the Cattaneo LIUC of Castellanza University and collaborates with Bocconi in relation to the Masters in Corporate Finance. He has been a member of the Accountants Association of Milan since 2001 and is a member of the Auditors Register and from 1986 of the Technical Consultants Association of the Courts of Rome.

**Andrea Sasso:** 47 years old, he is the Chief Executive Officer of the Marazzi Group since October 2012. He is a member of the Board of Directors of Elica and of iGuzzini illuminazione. From 1990 with the Merloni-Elettrodomestici/Indesit Company Group he held offices of increasing responsibility until becoming Chief Operating Officer and Chief Commercial Officer. He has been the Country Manager Italy of Pirelli Tyre and was the Chief Executive Officer of the Elica Group between April 2007 and September 2012. He was the Chairman of Confindustria Ceced Italia, the ANIE Federated Association of Domestic Appliance Producers and Professionals, Director of Confindustria Ancona, Ordinary Member of World Class Manufacturing Association and of the Young Presidents' Organisation.

He graduated in Economics and Commerce from the Polytechnic University of Le Marche and completed the International Executive Programme of Insead (Fontainebleau/Singapore).

**Elena Magri:** She has been a member of the Board of Directors of Elica since April 27, 2012. She has also been a Director of First Capital S.p.A., Investment Company since May 2011. She previously served as an Executive Director in a number of companies, including from between 1980 and 2010 at Ori Martin S.p.A. and in its subsidiaries AOM S.r.l., Trafilati Martin S.p.A., Siderurgica Latina Martin S.p.A. and Strand Tech Inc., in addition as Director of Finprogetti and Banca del Garda.

She graduated in Economics and Commerce from the University of Parma.

### **Maximum number of offices held in other companies**

In accordance with Article 1.C.2 of the Self-Governance Code, the Board of Directors, based on the information received from the Directors, state that none of its members currently held the Office of Director or Statutory Auditor in listed companies on regulated markets, including abroad, with the exception of the Director Elena Magri, who serves as a Board Member of First Capital S.p.A., a financial operator specialised in Private Investments in Public Equity operations, listed on the AIM Italia market.

In accordance with article 1.C.3, the Board of Directors, lately at the February 14, 2012 and February 14, 2013 meetings, has confirmed its position in relation to the maximum number of offices of director or statutory auditor which may be considered compatible with the proper fulfilment of the role of director of the Company, fixing at five the maximum number of offices of direction or control in other listed companies (including abroad).

The Board did not consider it necessary to define general criteria regarding the maximum number of appointments in other companies that can be considered compatible with an effective conduct of the role of director of the issuer, considering that this evaluation is primarily that of the Shareholders in nominating the directors and, subsequently, of the individual directors on accepting the office. The Board will however continue to evaluate individual cases, in relation to the attributes of each director (experience, positions held etc.) from which compatibility with the role can be evaluated. This evaluation will be made on the appointment to office and thereafter on an annual basis, principally utilising the following evaluation criteria: (i) the role of the Director within the Company (executive, non executive, independent, member of one or more committees); (ii) the nature and size of entities in which offices are held and the office of the Director within such entities; and (iii) whether such entities are part of the group of the Issuer.

The following is also noted:<sup>7</sup>

- the Chairman of the Board of Directors Mr. Francesco Casoli fulfils, among others, the role of Sole Director with the finance company Fintrack S.p.A., of which he is also a shareholder. He is also Chairman of the Board of Directors of FAN S.r.l., which directly controls Elica S.p.A..<sup>8</sup>
- the Director Ms. Gianna Pieralisi holds, among others, the role of Sole Director with the finance company Ermanno S.r.l., of which she is also a shareholder, as well as a shareholder of the finance companies: Cav. del Lav. Iginò Pieralisi S.a.p.a. of Iginò Pieralisi and SAFE S.a.p.a. of cav. Iginò Pieralisi, of which she is also Chairman.

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<sup>7</sup> For the identification of companies of a large size, the following parameters were taken into account: over 250 employees or revenues > Euro 50 million in the year or assets > Euro 43 million in the year.

<sup>8</sup> The financial companies listed are holding companies and are not considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

SAFE S.p.a has a holding in the Company. She is also a Director of FAN S.r.l., which directly controls Elica S.p.A.<sup>9</sup>

- the Director Mr. Gennaro Pieralisi holds, among others, the role of Director in the following finance companies: Egisto Pieralisi S.p.a. (Chairman), Mark Leasing S.p.A. (Chairman of the BoD and Chief Executive Officer), Frapi S.p.A. (Sole Director), M.A.I.P. S.p.A. (Chairman of the BoD and Chief Executive Officer), Pieralisi International S.A. (Chairman of the BoD and Chief Executive Officer) and Confidi di Ancona; in the insurance company Previndustria S.p.A. (Chairman of the BoD) and in the following companies: Pieralisi S.p.A. (Chairman of the BoD and Chief Executive Officer), Pieralisi MAIP S.p.A. (Chairman of the BoD and Chief Executive Officer), Roal Electronics S.p.A. (Chairman of the BoD), MEFOP S.p.A. (Director), TV Centro Marche S.p.A. (Chairman of the BoD and Chief Executive Officer), Pieralisi Espana S.L. (Chairman of the BoD and Chief Executive Officer), not part of the Group which the Company heads.<sup>10</sup>
- The Director Mr. Stefano Romiti holds, among others, the position of Chairman of Antares Private Equity S.p.A. (a finance company no longer supervised following regulatory changes incurred).

### **Induction Programme**

Many of the Company Directors have, through professional experience or years of service, acquired knowledge in the sector in which the company operates; however the Chairman of the Board of Directors periodically briefs Directors concerning relevant issues and on the performance. This information is normally provided at the Board meetings and the informal ad hoc meetings.

### **4.3 Role of the Board of Directors<sup>11</sup>**

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<sup>9</sup> The financial companies listed are holding companies and are not considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

<sup>10</sup> None of the financial companies listed, with the exception of Mark Leasing S.p.A. and Confidi Ancona, are considered in the lists as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act.

<sup>11</sup> The number of meetings of the Board held in 2012, the average duration, the number of meetings scheduled for the current year, as well as the percentage attendance at the Board of Directors' meetings and of the Committees are indicated in the Section: "Activities of the Board of Directors and of the committees in 2012 and 2013 up to the date of the present Report".

The Company is managed, under a traditional governance system, by a Board of Directors, which meets and operates in compliance with articles 1.P.1 and 1.P.2 of the Self-Governance Code.

In accordance with article 17 of the By-laws of the Company, except for the powers of convocation reserved to the Statutory Auditors in the cases established by law, the Board of Directors meets on the convocation of the Chairman, or in the case of his absence or impediment, of the Vice Chairman or the Chief Executive Officer, if appointed, or in the absence or impediment also of these, the most senior Director in terms of age, through registered letter, telefax or electronic mail, to be sent at least 5 days before the date of the meeting.

The company usually agrees, where possible, with the directors the dates of the board meetings and also the matters on the agenda. Important documentation and information necessary in order to allow the Board to express their opinions with full knowledge of the facts on the matters on the agenda, is usually sent to the directors, in the method agreed with each of them, reasonably in advance of the meeting, except in exceptional cases where, due to the nature of the resolutions, the requirements for confidentiality and/or timeliness, with which the Board must take the decisions, reasons of necessity and/or urgency supersede such.

The forwarding of the documentation together with the call notice of the Board, which is normally five days before the meeting, is considered sufficient to permit a review of the same by the directors. This period however is extended, in concert with the directors, in the case of particularly large or complex documentation, and whereby the key elements are illustrated in presentation documentations, which permit the directors to promptly understand the important matters to be dealt with during the meeting. Such presentation documentation is normally filed together with official documentation of the meeting.

During 2012, the above-mentioned period of five days was generally complied with and in any case, the Board was informed with sufficient notice in order to undertake a complete and correct valuation of the matters under examination.

The documents containing confidential information are normally sent only and directly to Directors, specifying the nature of the document and through the manner agreed with each Director individually, in order to ensure confidentiality.

As well as the Secretary to the Board, the Chief Financial Officer and/or the Financial Director usually attends the Board meetings, who provide greater details on the financial implications of the matters on the Agenda. On the occasion of specific resolutions, senior managers responsible for the specific matters and/or consultants directly involved are invited to express and provide opinions on the matters on the Agenda. For example purposes, in relation to resolutions concerning the remuneration of executive directors, as well as the presentation of share-based incentive plans, the Human Resources Area Manager participates at the meetings.

The Chairman of the Board meeting ensures that the matters subject to discussion are allocated the time necessary to ensure constructive debate and which encourages the contribution of Directors.

The meetings of the Board of Directors take place at least four times per year, at least quarterly and every time the Chairman considers it necessary or when a request as outlined above is made.

In accordance with article 19 of the By-Laws, the Board of Directors are attributed the widest powers for the management of the Company and the faculty to carry out all acts and operations considered necessary for the reaching of the corporate objectives, except in the case of those attributed by law to the Shareholders' Meeting or deriving from specific authorisations required by the By-Laws.

The Board of Directors also has the following duties:

- a) merger and spin-off resolutions in the cases established by Articles 2505 and 2505-bis, of the Civil Code;
- b) the opening, transfer and closing of secondary offices;
- c) the indication of which Directors may represent the company;
- d) the issue of non convertible bonds within the limits set out in article 2412 of the Civil Code and convertible within the limits set by article 2420-ter of the Civil Code;
- e) the reduction of the share capital in the case of return of shares by shareholders;
- f) updating the company by-laws and the shareholder meeting regulation in accordance with law;
- g) the transfer of the registered office to another municipality in the national territory;
- h) the reduction of the share capital where losses are greater than one-third of the share capital and the Company has issued shares without nominal value.



The Board of Directors has been attributed the powers to:

- examine and approve the strategic, industrial and financial plans of the Company and of the Group, periodically monitoring their implementation; establish the corporate governance of the Company and the structure of the Group.
- define the nature and level of risk compatible with the strategic objectives of the Company;
- evaluate the adequacy of the organisational, administration and accounting system of the Company and of its subsidiaries having strategic importance, which has been implemented by the executive directors with particular reference to the internal control and risk management system. In particular, in 2012, the evaluation of the adequacy of the organisational, administrative and accounting structure of the Company and of the subsidiaries was carried out by the Board at the meeting of August 28, 2012, based on the information provided by the relevant company departments. During this meeting, based on - among other documents - the report concerning the Internal Control System and the Supervisory Board Report, an evaluation on the adequacy on the Internal Control and Risk Management System, in line with the characteristics of the company and the risk profile assumed, in addition to its efficacy, was carried out;
- evaluate the general operational performance, taking into account, in particular, the information received from executives, as well as periodically comparing the results with the budgets. In particular, the Board evaluates the general operational performance, on the occasion of the approval of the quarterly and half-yearly reports;
- resolve in relation to operations of the Company and its subsidiaries, when such operations have a significant strategic, economic, equity or financial impact on the Company.

Following the entry into force of Consob Regulation No. 17221/10, the Board identified specific criteria for the identification of significant transactions, in accordance with the provisions of attachment 3 of the regulation<sup>12</sup>. In addition,

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<sup>12</sup> Reference should be made in this regard to the procedure for transactions with related parties adopted by the Board of Directors on November 11, 2010, in accordance with Article 2391-*bis* of the Civil Code and Article 4 of the Consob Regulation concerning related parties, approved with resolution No. 17221 of

the Board undertakes all decisions not specifically attributed to the Executive Directors<sup>13</sup>.

In relation to the operations of greatest strategic importance, in 2012, the Board of Directors approved the sale of 3.24% of the Chinese company Zhejiang Putian Electric Co. Ltd. to Fuji Industrial Co., Ltd..

- carry out, at least once a year, an evaluation on the functioning of the Board and of its Committees, and also in relation to its size and composition, taking account also of the professional qualifications, experience - also of a managerial nature - and the gender balance of its members, in addition to their years of service. In 2012 this evaluation was carried out at the meeting of February 14, 2012, also considering the conclusion of mandate of the Corporate Boards in office, coinciding with the Shareholders' Meeting called to approve the 2011 Annual Accounts. Specifically, in the evaluation of the composition of the Board in office, consideration was taken of professional characteristics, such as experience, including managerial, and general characteristics of the members of the Board, as well as their years of service. The Board currently in office is adequately represented by Executive, Non-Executive and Independent members, in addition to a sufficient range of professional qualifications, experience, gender balance and years of service and this composition, in addition to conforming with best practices, ensures an effective functioning of the Board.<sup>14</sup>
- In relation to the size of the Board and with a view to its renewal, in accordance with Article 1.C.1., letter h) of the Code, it was proposed to reduce the number of members from 8 to 7 and to maintain, within the slates, a wide range of professional qualifications, experience, also of a managerial nature, and where possible gender equality, with particular reference to the industrial, economic and financial sectors, in addition to the presence of a sufficient number of independent members.

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March 12, 2010, as subsequently amended ("Transactions with related parties procedure Consob Regulation"), available on the Company website in the Investor Relations / Corporate Governance Section.

<sup>13</sup> See in this regard Section "4.4 Executive Boards".

<sup>14</sup> Reference should be made to the CV's of the Directors for information on years of service and for the description of professional qualifications and experience of Directors: Section 4.2 Composition of the d),

Subsequently, this evaluation was repeated on February 14, 2013. In particular, the Board note that, following the replacement of the Chief Executive Officer on September 13, 2012, the number of Independent Directors was reduced further (by one), although in compliance with the minimum legal requirement; they noted also that it may be useful to appoint to the Board a Director with professional qualifications which ensure support in relation to industrial process and product development matters, in particular in the home appliances sector. This proposal was therefore included in the Agenda of the Shareholders' Meeting called for the approval of 2012 Annual Accounts.<sup>15</sup>

In relation to the Committees, the Board evaluated the adequacy of their relative size and composition to effectively carry out the duties attributed to them. Subject to the appointment of a new Director, the Board may evaluate the further supplementation or amendment of the composition of the Committees.

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The Shareholders' Meeting did not authorise, nor were the Board presented with, any general or specific competitor agreements as per article 2390 of the civil code.

### **Activities of the Board of Directors and of the Committees in 2012 and 2013 up to the date of the present Report**

In the year 2012:

- the Board of Directors met eight times (the average meeting duration was approx. 2 hours), respectively on January 9, February 14, March 21, April 27, May 14, August 28, September 13 and November 14.
- the Internal Control and Risk Management Committee met four times (average meeting duration of one hour), respectively on March 20, April 27, July 3 and November 13;
- the Appointments and Remuneration Committee met five times (average meeting duration of one hour), respectively on March 20, April 27, July 3, September 13 and November 13;

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<sup>15</sup> For further information on the Agenda, reference should be made to the Directors' Report to the Shareholders' Meeting called for April 24, 2013 on the appointment of a new Director.

Minutes are kept of the Board and Committee meetings.

In TABLE 2 - Attendance at the Board of Director and Committee meetings, complete details are shown relating to attendances by directors at the meetings of the Board of Directors and the Committees (Internal Control and Risk Management Committee and the Appointments and Remuneration Committee) in the period from January 1, 2012 to December 31, 2012.

In relation to 2013, at the date of the present Report, 5 meetings of the Board of Directors are scheduled - on the approval of the interim and year-end financial statements.<sup>16</sup> For further details, the corporate events calendar of the Company may be consulted on the website in the *Investor Relations/Financial Data/Corporate Calendar* section.

Also with reference to the year 2013, the Appointments and Remuneration Committee and the Internal Control and Risk Management Committee met on March 7. Further meetings of the Committees are scheduled for 2013 with the dates not yet definitively established.

#### **4.4 Executive Boards**

In order to ensure greater management efficiency and in conformity with article 2 of the Self-Governance Code, the Board of Directors delegated adequate powers to the Executive Directors, who periodically report in relation to the exercise of such delegated powers.

Following that resolved by the Board of Directors in the meetings of April 27, 2012 and September 13, 2012, the following powers were attributed:

- A) to the **Chairman of the Board of Directors** of the Company, Mr. FRANCESCO CASOLI (“Executive Chairman”), representation of the Company against third parties and in legal matters, general supervision of the strategic policies of the Company as well as all powers which the By-Laws attribute to the Board of

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<sup>16</sup> The scheduled 5 meetings includes the meetings already held on February 14, 2013 and March 15, 2013.

Directors with the exception of those non legally delegable and the following powers which remain within the exclusive realm of the Board of Directors:

- approval of the annual budget;
- purchase and/or sale of investments, businesses and business units, rental of businesses and/or business units, for a unitary amount above Euro 3,500,000.00;
- provision of secured and non-secured guarantees, including atypical, for third party obligations of a unitary amount above Euro 3,500,000.00;
- obtainment of loans of a unitary amount above Euro 5,000,000.00;
- conclusion of leasing or rental contracts for a unitary amount above Euro 3,500,000.00;
- purchase and/or sale of assets for a unitary amount above Euro 3,500,000.00;
- purchase and/or sale of brands, trademarks and industrial property rights in general, as well as the conclusion of related licences;
- the appointment of the General Manager of the Company;
- every deliberation regarding the exercise of the voting right of subsidiary and/or associated companies for matters related to the present list of powers.

A further exception of the powers attributed to the Chairman Mr. Francesco Casoli relates to the powers of the “person in charge” concerning the treatment by Elica S.p.A. of personal details in accordance with Legislative Decree 196/03 and subsequent amendments and integrations, including the representation of the Company with third parties and the Privacy Guarantee, which is the exclusive competence of the Chief Executive Officer Mr. Giuseppe Perucchetti.

The unitary limits stated above include also several operations of the same nature classifiable by manner, terms or scope as a single operation.

In relation to all of the powers conferred, the Executive Chairman will have the faculty to appoint powers of attorney for single acts or categories of acts.

The Board of Directors conferred the powers above to the Chairman, in consideration of the role which the Chairman has had and has in the growth of the Company and based on his experience and professionalism in the sector.

B) to **the Chief Executive Officer** of the Company, Mr. GIUSEPPE

PERUCCHETTI, all powers which the By-Laws attribute to the Board of Directors with the exception of those of extraordinary administration, those non legally delegable and the following powers which remain within the exclusive remit of the Board of Directors:

- approval of the annual budget;
- purchase and/or sale of investments, businesses and business units, rental of businesses and/or business units, for a unitary amount above Euro 3,500,000.00;
- provision of secured and non-secured guarantees, including atypical, for third party obligations of a unitary amount above Euro 3,500,000.00;
- obtainment of loans of a unitary amount above Euro 5,000,000.00;
- conclusion of leasing or rental contracts for a unitary amount above Euro 3,500,000.00;
- purchase and/or sale of assets for a unitary amount above Euro 3,500,000.00;
- purchase and/or sale of brands, trademarks and industrial property rights in general, as well as the conclusion of related licences;
- the appointment of the General Manager of the Company;
- every deliberation regarding the exercise of the voting right of subsidiary and/or associated companies for matters related to the present list of powers.

The Chief Executive Officer Mr. Giuseppe Perucchetti, is attributed all the powers of the “person in charge” concerning the treatment by Elica S.p.A. of personal details in accordance with Legislative Decree 196/03 and subsequent amendments and integrations, including the representation of the Company with third parties and the Privacy Guarantee.

The unitary limits stated above include also several operations of the same nature classifiable by manner, terms or scope as a single operation.

The Chief Executive Officer is also conferred representation of the Company against third parties and in legal matters, within the limits of the powers conferred to him.

In relation to all of the powers conferred, the Chief Executive Officer will have the faculty to appoint powers of attorney for single acts or categories of acts.

Despite the scope of the powers of the Chairman, the Chief Executive Officer is the main person responsible for the management of the Issuer (C.E.O.).

No situations giving rise to the Interlocking Directorate arise, in accordance with Article 2.C.5 of the Code.

C) to the **Executive Director** of the Company, Ms. GIANNA PIERALISI, the following powers:

- obtaining of loans with a duration not above 36 months and/or of a unitary amount not above Euro 5,000,000.00;
- ensuring the best utilisation of funds on bank current accounts and related overdraft facilities;
- undertaking foreign exchange hedging operations relating to underlying commercial operations;
- conclude with any factoring company, domestic or foreign, sales and/or insurance contracts for trade, tax or other receivables, and also within the exclusive interest of the company, any other type of operation relating to the provision of guarantees, mandates for payment, discount operations and those relating to single factoring transactions;
- open, utilise and close current accounts with banking, credit and financial institutions, post offices, with the faculty to settle within her discretion all of the sums relating to the Company, which are paid or accredited of any type;
- endorse, present for collection or protest cheques, bill of exchange, bank, postal and telegraphic drafts, warrants and travellers cheques;
- collect receivables, subventions, mandates of any type, amounts due to the Company, both capital and interest and accessories, from private sources, Public Administration and banking and credit institutions, with power to settle fully all such accounts;
- authorise Banking Institutions to give effect to instructions relating to the payment of invoices, salaries and those sums related to working relationships and, more in general, payments relating to contractual commitments already approved by the Company;
- carry out all transfer of funds from bank to bank;

- sign any contract relating to the management of general services of the Company with the exclusion of production activities.

All of the limits of value above, where not otherwise specified, must include the total amount of volume referred for each single transaction, precluding the dividing of commitments of expenses into several amounts.

The Executive Director is also conferred the representation of the Company against third parties and in legal matters, within the limits of the powers conferred to her.

In relation to all of the powers conferred, the Executive Director will have the faculty to appoint powers of attorney for single acts or categories of acts.

### **Reporting to the Board of Directors**

In order to guarantee transparency and proper disclosure within the Company relating to the activities carried out by the directors with operational powers, and in conformity with Article 1.C.1, letter d), of the Code and the By-laws, the executive directors report in a timely manner, and at least quarterly, to the Board of Directors and the Board of Statutory Auditors in relation to the activities carried out in execution of the powers delegated, on the general performance and on the outlook, as well as on significant operations for size or characteristics carried out by the Company and its subsidiaries.

In particular, the company bodies report upon any atypical and unusual transactions with related parties and/or which may cause potential conflicts of interest, on their own behalf or of third parties, as well as concerning the strategic plan, industrial and financial projects of the Company and of the Group<sup>17</sup>.

In 2012, the executive directors reported systematically to the Board in relation to the powers delegated to them.

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<sup>17</sup> For further information on the procedures concerning transactions with related parties and/or those which may give rise to potential conflicts of interest, reference should be made to the subsequent section 12. "HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES", in addition to the "Procedure for Transactions with Related Parties", available on the Company website at the Investor Relations / Corporate Governance Section.



#### **4.5 Other Executive Directors**

No other directors apart from those indicated in the previous Section 4.4 are considered as executive directors within the Company.

#### **4.6 Independent Directors**

Within the Board of Directors, in conformity with that provided by Article 3.P.1 of the Self-Governance Code, there are two non-executive independent directors (Messrs. Stefano Romiti and Elena Magri) which, following the evaluation carried out by the Board of Directors are in conformity respectively with Articles 3. C.1 and 2 of the Self-Governance Code and Article 148, paragraph 3 of the CFA in that:

a) they do not directly or indirectly, including through subsidiaries, trusts or nominees, control the company and are not capable of exercising significant influence, or participate in a shareholder agreement through which one or more parties can exercise control or significant influence on the Company;

b) they are not and have not been in the previous three years, a senior representative<sup>18</sup> of the Company or of one of its subsidiaries with strategic importance or of a company subject to common control, or of a company or of a body that, even together with others through a shareholder agreement, controls the Company or is able to exercise significant influence;

c) they do not have and have not had, directly or indirectly (for example through subsidiary companies or where they are a relevant member, or as partner of a professional advisory firm or a consultancy company) in the previous year, a significant commercial, financial or professional relationship:

- with the Company, a subsidiary, or with some relevant members;

- with a party that, also together with others through a shareholder agreement, controls the Company, or – in relation to companies or bodies - with the relevant members;

or are not and were not in the previous three years, an employee of one of the above parties;

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<sup>18</sup> “Senior representatives” of a company or an entity concern: the Chairman of the body, the Chairman of the Board of Directors, the Executive Directors and senior management.

- d) they do not receive and have not received in the previous three years, from the Company or a subsidiary or parent company a significant additional remuneration other than the “fixed” fee of non-executive director and the compensation for Committee membership established by the Code, including incentive participation plans relating to the performance of the company, including share-based payments;
- e) they have not been a director of the Company for more than nine of the past twelve years;
- f) they are not an executive director in another company in which an executive director of the Company is a director;
- g) they are not shareholders or directors of a company or of an entity belonging to the network of the auditors of the Company;
- h) they do not have a close family member in a situation described in the previous points.
- i) not within the provisions of Article 2382 of the Civil Code.
- l) they are not spouses, relatives or close members within the fourth level of the directors of the Company; they are not directors, spouses, relatives or similar within the fourth level of the directors of the companies controlled, of the companies that control it or subject to common control;
- m) they are not related to the company or any subsidiaries or companies that control the company or subject to any common control or to the directors of the company or any parties at letter l) above or independent or subordinated employment or any other monetary or professional relationship which may compromise their independence.

The evaluation of independence, in accordance with Article 3.C.4 of the Code and Article 147-ter, paragraph 4 of the CFA, based on the declarations made by the interested parties and available to the Company, was conducted by the Board of Directors on April 27, 2012 and repeated at the meeting of September 13, 2012 on the amendment of the composition of the Committees; the result of these evaluations was announced to the market through a press release. At the same time, the Board of Statutory Auditors verified the correct application of the assessment criteria and procedures adopted by the Board in accordance with Article 3.C.5 of the Code. For the result of these evaluations, reference should be made to the subsequent Section “Board of Statutory Auditors activities in 2012 and in 2013 until the date of the present report”

and to that reported in the Board of Statutory Auditors Report to the Shareholders' Meeting, available on the Company website in the Investor Relations Section.

The presence of two Non Executive and independent Directors on the board of the company has the objective of achieving the greatest possible corporate "good governance" through enabling debate and dialogue between all of the Directors.

The contribution of the independent directors permits the Board to evaluate with sufficient independence in cases of potential conflicts of interest of the Company with the controlling shareholders. Also in order to ensure a greater contribution from Independent Directors, on this latter evaluation in accordance with Article 1.C.1 letter g), the Board of Directors proposed the appointment of a further Independent Director.

In 2012, the Independent Directors, in accordance with Article 3.C.6 of the Code, met on October 23, in order to examine the structure and activities of the Company, including the implementation of the Regulation for Transactions with related parties, without noting any irregularities.

Directors who declare their independence are committed to maintain such for the duration of their mandate.

#### **4.7 Lead Independent Director**

The Board meeting of April 27, 2012 reconfirmed Mr. Stefano Romiti as the Lead Independent Director, assigning the role established by criteria 2.C.4 of the Code.

The Lead Independent Director has the right, among others, on his own initiative or upon the request of the other directors, to summon meetings of the independent directors in order to discuss issues that are considered relevant regarding the functioning of the Board of Directors or management in general.

In 2012, the Lead Independent Director operated as a reference point for the other independent directors, collaborating, among others, with the Chairman of the Board of Directors, in order to guarantee complete and timely information for the independent directors.

The appointment of a Lead Independent Director was considered necessary in consideration, among other issues, of the extent of the duties conferred to the Chairman

of the Board of Directors (although he does not act as C.E.O.) and the familial relationship between the Chairman and the Executive Director Gianna Perialisi, who indirectly holds control of the Company, in accordance with Article 93 of the CFA.

## **5. TREATMENT OF CORPORATE INFORMATION AND PERSONS WITH ACCESS TO CONFIDENTIAL INFORMATION (“INSIDERS REGISTER”).**

The Board of Directors, in the meeting of April 12, 2006, approved, in accordance with article 4 of the Self-Governance Code, a regulation relating to the internal management and external communication of documents and information related to the Company, with particular reference to confidential information, based on article 114, paragraph 1, 181 of the CFA and 66 of the Issuers’ Regulation.

In particular this regulation is divided into two parts. The first part defines in a general manner, also in relation to the subsidiary companies, the information considered confidential and which therefore must be communicated, as well as the manner in which this is carried out.

The second part governs the procedures for the management and updating also with reference to subsidiary companies, the Register of persons with access to confidential information (so-called “Insider Register”) created by the company in accordance with article 115-*bis* of the Consolidated Finance Act and whose maintenance is the responsibility of the Investor Relations Manager.

The Company has published the provisions of this regulation internally within the Company and its subsidiary companies and has systematically managed and communicated the confidential information published from time to time.

On September 27, 2007, the Board of Directors of the Company appointed Ms. Laura Giovanetti as the Investor Relations Manager, also appointing her responsible for the Insider Register of the Company.

## **6. INTERNAL COMMITTEES**

On April 27, 2012, the Board of Directors of the Company, in accordance with Article 4.P.1 of the Self-Governance Code, set up an “Appointments and Remuneration Committee” and an “Internal Control and Risk Management Committee”, formed by a majority of non-executive and independent directors.

The duties attributed by the Code to the Committees were therefore not reserved for the entire Board.

In comparison with the previous structure established in 2006 the functions of the Appointments Committee, previously not incorporated, were allocated to the Remuneration Committee, in accordance with Article 4.C.1, letter c) and in compliance with the provisions of Articles 5.P.1 and 6.P.3 of the Code. The decision to create a single Committee for the Appointment and Remuneration of Directors is based on the size of the Board and of the Company, in addition to the need of the Company to maintain, and compliance with the conditions of the Code, a responsive and effective organisation.

The Internal Control and Risk Management Committee, created in accordance with Articles 4.P.1, 7.P.3. (ii) and 7.P.4 of the Self-Governance Code, replaced the Internal Control Committee.

The work of the Committee is coordinated by its Chairman: Stefano Romiti.

Further information on these committees is reported in sections “7. APPOINTMENTS COMMITTEE

## **7. APPOINTMENTS COMMITTEE**

The Company did not consider it necessary to create a specific Appointments Committee and consequently allocated the relative duties to the Remuneration Committee, now the Appointments and Remuneration Committee.

For further information, reference should be made to sections “6. INTERNAL COMMITTEES” and “8. APPOINTMENTS AND REMUNERATION COMMITTEE

## **8. APPOINTMENTS AND REMUNERATION COMMITTEE**

**Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA)**

The Board of Directors of the Company, in accordance with Articles 4.P.1, 5.P.1. and 6.P.3. of the Self-Governance Code, set up an Appointments and Remuneration Committee.

At the date of the present Report, the Committee is comprised of Messrs. Stefano Romiti (Chairman), Gennaro Pieralisi and Elena Magri; this latter replaced the current Chief Executive Officer Giuseppe Perucchetti from September 13, 2012, the date of his appointment by the Board.

In 2012, until April 27, the date of the Shareholders' Meeting at which the Corporate Boards were renewed, the Remuneration Committee was comprised of the Directors Stefano Romiti, Gennaro Pieralisi, Giovanni Frezzotti and Luca Paces.

The Appointments and Remuneration Committee was allocated all of the duties established by Articles 5.C.1, 6.P.4 and 6.C.5 of the Self-Governance Code.

The Members of the Committee have knowledge and experience in relation to accounting and financial matters and/or remuneration policies; in particular the Chairman Stefano Romiti has specific knowledge and experience in relation to accounting and financial matters. The Board considers that the Members of the Committee have sufficient professional abilities to carry out the roles entrusted to them. This committee guarantees the greatest information and transparency on the remuneration of directors vested with specific offices, as well as the manner for determining the remuneration.

The Committee has solely proposing and consultative functions, while the power of determining the remuneration of the Directors vested with specific offices remains with the Board of Directors, having consulted with the Board of Statutory Auditors.

Specifically, the Committee:

- presents to the Board proposals for the drawing up of a Remuneration Policy for Executive Directors, of Directors allocated specific roles and Executives with strategic responsibilities, in addition to the establishment of the performance objectives related to the variable component of such remuneration;
- monitors the application of the decisions adopted by the Board, verifying, in particular, the effective achievement of the performance objectives.

- periodically evaluates the adequacy, the overall compliance and the proper application of the remuneration policy adopted, utilising for this latter the information provided by the Executive Directors;
- draws up opinions for the Board of Directors in relation to the size and composition of the Board and provides recommendations in relation to the professionals whose presence on the Board is considered beneficial, in addition to the matters considered by Criteria 1.C.3 and 1.C.4 of the Code;
- proposes to the Board candidates for the office of director in the cases of co-option, or to replace independent directors.

In 2012, the Committee, among other actions:

- drew up for the Board remuneration proposals concerning the Executive Directors of the Company, in addition to proposals for the establishment of the performance objectives related to the variable component of this remuneration<sup>19</sup> and of the remuneration of management and monitored the application of the decisions adopted by the Board, verifying in particular, the achievement of the performance objectives;
- proposed to the Board the 2012 performance targets concerning the 2010 Stock Grant Plan, monitored the application of the Plan and presented to the Board its observations on the relative performance;
- evaluated the opportunity to put to the Board, and therefore to the Shareholders' Meeting, the approval of a new share-based remuneration plan following the conclusion of the 2010 Stock Grant Plan;
- proposed to the Board the Remuneration Report to be presented to the Shareholders' Meeting;
- periodically monitored and verified the correct application of the remuneration policy adopted;
- noted that, following the replacement of the Chief Executive Officer on September 13, 2012, the number of Independent Directors on the Board reduced by a further member, although still in compliance with the minimum legal requirement and consequently invited the Board to evaluate the addition of an independent member

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<sup>19</sup> The variable component matured at the end of the year is paid following the approval of the results by the Shareholders' Meeting, in line with the characteristics of the company activity and the related risk profiles.

with knowledge and experience of the home appliance business and other skills than those already present on the Board.

No director took part at meetings of the Committee in which the proposals for the Board of Directors relating to their own remuneration were proposed and the decisions relating to the remuneration of members of the Committee were taken with the abstention of the interested party. The Chairman of the Board of Statutory Auditors participated at the Committee meetings, and from April 2012 at least one of its standing members, in addition to, on invitation and on specific matters on the Agenda, the Human Resources Manager.

The Committee had the opportunity to access the information and the departments necessary for adequately carrying out its duties. Therefore, as the Committee availed of the resources, the means and the structure of the Company, the provision of specific financial resources is not provided for.

For further information regarding the number of meetings held and the participation at the meetings for each of the members, reference is made to the section “Activities of the Board of Directors and of the Committees in 2012 and 2013 up to the date of the present Report

## **9. DIRECTOR REMUNERATION**

For information on the present Section, reference should be made to the Remuneration Report, Section 1.

In accordance with Article 6.C.3 of the Civil Code, the remuneration of Executives with strategic responsibilities is established by the Corporate Boards in line with the criteria concerning remuneration of Executive Directors or those with specific roles.

In relation to the incentives for the Internal Control Manager and the Executive Responsible for the preparation of Corporate Accounting Documents, these are in line with the responsibilities assigned.

## **10. CONTROL AND RISKS COMMITTEE**

**Composition and operation of the Committee (as per Article 123-bis, paragraph 2, letter d) CFA)**



The Board of Directors of the Company, in accordance with Article 7.P.4 of the Self-Governance Code, set up an Internal Control and Risk Management Committee.

At the date of the Present Report, the Committee is comprised of Messrs. Stefano Romiti (Chairman), Gennaro Peralisi and Elena Magri; this latter replaced the current Chief Executive Officer Giuseppe Perucchetti, from September 13, 2012, date of his appointment by the Board.

In 2012, until April 27, the date of the Shareholders' Meeting in which the Corporate Boards were renewed, the Internal Control Committee comprised of the Directors Stefano Romiti, Gennaro Peralisi and Giovanni Frezzotti.

The Internal Control and Risk Management Committee is composed of members with specific financial and accounting experience.

The Board of Statutory Auditors attended the meetings of the Committee, through the Chairman and the Standing Members of the Board. In relation to the specific matters on the Agenda, and also on invitation, the following also attended: the Executive responsible for the Preparation of the Corporate Accounting Documents, the Internal Control Manager of the Company and the Company Managers.

The Internal Control and Risk Management Committee, within its powers, and in conformity with the recommendations of the Self-Governance Code must:

- provide opinions to the Board of Directors (i) establishing the guidelines of the Internal Control and Risk Management System, so that the principal risks relating to the Company and its subsidiaries are correctly identified, in addition to adequately measured, managed and monitored (ii) evaluating, at least annually, the adequacy of the Internal and Risk Management System in relation to the characteristics of the Company and the risk profile assumed, in addition to its efficacy (iii) approving, at least annually, the work plan prepared by the Internal Audit Manager, having consulted with the Board of Statutory Auditors and the Director in charge of the Internal Control and Risk Management System (iv) evaluating, having consulted with the Board of Statutory Auditors, the findings of the independent audit firm in any letter containing suggestions and in the report on fundamental questions arising during the audit;

- provide a binding opinion to the Board of Directors (i) on the appointment and withdrawal of the Internal Audit Manager and (ii) in ensuring adequate resources for the carrying out of their duties;
- evaluate, together with the Executive Responsible for the preparation of corporate accounting documents, following consultation with the auditors and the Board of Statutory Auditors, the correct application of the accounting principles and, in the case of groups, their uniformity in the preparation of the consolidated financial statements;
- express opinions on specific aspects concerning the identification of the principal corporate risks;
- examine the periodic reports, concerning the evaluation of the internal control and management of risks system, and those of particular size, prepared by the internal audit department;
- monitor the independence, adequacy, efficacy and efficiency of the internal audit department;
- request verifications on specific operating areas from the Internal Audit department, communicating such to the Chairman of the Board of Statutory Auditors;
- report, at least every six months, at the time of the approval of the annual and half-yearly accounts, to the Board of Directors on the work carried out and on the adequacy of the internal control and risk management system;
- perform the additional consultative and/or propositional tasks assigned by the Board of Directors, particularly with regard to relations with the independent audit firm.

The Internal Control and Risk Management Committee was also allocated the role to issue a non-binding prior opinion on the interest of the company, as well as the suitability and substantial correctness of the conditions, in the case of transactions with related parties as per the Procedure for Transactions with Related Parties<sup>20</sup>.

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<sup>20</sup> See also par.: “12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES”, in addition to the “Procedure for Transactions with Related Parties”, available at the Company website in the section *Investor Relations / Corporate Governance*; while for further information concerning attendance at meetings by each member reference should be made to the section “Activities of the Board of Directors and of the Committees in 2012 and in 2013 up to the date of the present report”.

In 2012, the Internal Control and Risk Management Committee, among other issues:

- provided the Executive Responsible with the project for the systemisation and formal adjustment of the Financial Disclosure Control System, also in relation to subsidiaries;
- evaluated and approved the Internal Audit annual plan and provided suggestions on the audit activity to be carried out;
- verified the adequacy of the Internal Control and Risk Management System and supported the Board of Directors in drawing up the guidelines for the Internal Control and Risk Management System.

The Committee had the opportunity to access the information and the departments necessary for adequately carrying out its duties, including the faculty to utilise, at the expense of the company, external consultants chosen under the terms established by the Board. Therefore, as the Committee availed of the resources, the means and the structure of the Company, the provision of specific financial resources is not provided for.

#### **11. INTERNAL CONTROL SYSTEM (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER B), CFA)**

The Internal Control and Risk Management System, based on the “COSO Report” model and on the Self-Governance Code principles, comprises a set of rules, procedures and organisational structures which enable the identification, the management and the monitoring of the principal risks. This system is integrated into the more general organisational and corporate governance structure adopted by the company and ensures the safeguarding of company assets, the efficiency and efficacy of the corporate processes, the reliability of financial disclosure, compliance with law and regulations, in addition to the by-laws and the internal procedures.

This system, defined based on leading national and international best practice, is based on the three following levels of control:

- First level: the operating functions identify and evaluate the risks and define specific actions for their management (so-called line controls);
- Second level: the risk control functions concern the establishment of methodologies and instruments for the management of risks relating to operations and the carrying out of risk monitoring activities;
- Third level: the Internal Audit function provides independent evaluations on the entire System.

The Board of Directors of Elica manages the principal corporate risks, taking account of the Company objectives and the characteristics of the activities carried out by the Company and its subsidiaries. These risks are identified based on the following criteria:

- a) nature of the risk, particularly in relation to risks of a financial nature, those concerning compliance with accounting rules and those with a potentially significant impact on the reputation of the Company;
- b) significant probability of the occurrence of the risk;
- c) limited capacity of the Company to reduce the impact of the risk on operations;
- d) significant size of the risk.

Consequently, the Board of Directors examines these risks and the respective containment measures, based also on the nature and the level of risk considered compatible with the strategic objectives of the Group.

The Board of Directors also evaluated in the year the adequacy and efficacy of the Internal Control System, expressing a favourable opinion on the state on the System.

For details of the principal characteristics of the Risk Management and Internal Control System in relation to the Financial Disclosure process, reference should be made to ATTACHMENT 2 of the present report.

### **11.1 Executive Director in Charge of the Internal Control System**

The Company appointed a Director in charge of the creation and maintenance of an effective Internal Control and Risk Management System, in line with Article 7.C.4 of the Self-Governance Code. In particular, on September 13, 2012, following the

withdrawal from this role by the Director and ex-Chief Executive Officer Andrea Sasso, this role was conferred to the newly appointed Chief Executive Officer Giuseppe Perucchetti.

In particular, in 2012, the appointed Director, in the exercise of his functions:

- identified the main business risks, taking into account the characteristics of the activities undertaken by the Issuer and by its subsidiaries, and periodically presents them for examination to the Board of Directors on the approval of the quarterly reports;
- shared with the Board of Directors the guidelines utilised for the design, drawing up and management of the Internal Control and Risk Management System, verified the adequacy and implemented any adjustments necessary based on the operating conditions and of the legislative and regulatory environment. In particular, the Board were updated on the developments of current projects relating to the internal restructuring, and to the harmonisation of the IT Systems and the Internal Control System in general and any problems encountered in carrying out company operations;
- proposed to the Board of Directors the appointment<sup>21</sup> and remuneration of the Internal Audit Manager;
- requested, in addition, from the Internal Audit Department, inventory checks of a number of foreign subsidiaries.

## **11.2 Internal Audit Department Manager**

In accordance with the recommendations indicated at Article 7.C.1 of the Self-Governance Code, on the proposal of the Director in charge of the Internal Control and Risk Management System, having consulted with the Board of Statutory Auditors and with the approval of the Internal Control and Risk Management Committee, the Board of Directors appointed and established the remuneration for the Internal Audit Manager Mr. Cristiano Babbo, in line with company policy. The appointment was made at the Board of Directors' Meeting of November 14, 2011 and confirmed on April 27, 2012.

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<sup>21</sup> On November 14, 2011 and April 27, 2012.

The Internal Audit Manager, not having responsibility for any specific operating area, is therefore:

- entirely independent of all departments within the corporate structure thanks to his position as reporting directly to the Chairman;
- has the necessary authorisation to directly access all of the information required for the fulfilment of his role;
- has access to an adequate budget to carry out his duties.

In particular, the most significant activities carried out in the year by the Internal Audit Manager were:

- periodically reported on activities to the Internal Control and Risk Management Committee, to the Chairman of the Board of Statutory Auditors, to the Chairman of the Board of Directors and to the Director in charge of the Internal Control and Risk Management System;
- verified, based on the Audit Plan approved by the Board of Directors, the functioning and appropriateness of the Internal Control and Risk Management System, in addition to the reliability of the IT systems, including the accounting systems;
- continued the organisation and formal adjustment activity of the Financial Disclosure Control System;
- carried out Testing activities to establish the efficacy of design and effective operation of controls.

### **11.3 Organisational Model as per Legislative Decree 231/2001**

On March 27, 2008, the Board of Directors of the Company approved the “Organisational, management and control model as per Legislative Decree 231/2001” of Elica S.p.A. including:

- the general part of the mapping of “sensitive” and “instrumental” activities, identified within the Company and identification of specific protocols to govern such; the model, which has been updated, covers the following types of offenses:
  - Public Administration offences
  - Corporate offences

- Offense of culpable serious and very serious injury and culpable homicide relating to the non-observance of accident prevention regulations
  - Offenses concerning the receipt, laundering and use of money, assets and other proceeds of illegal provenance
  - Offenses concerning the employment of illegal aliens
  - IT offenses
  - Transnational offenses
  - Copyright offenses
  - Defamation
  - Instrumental activities
  - Offenses against industry and trade
  - Offenses related to terrorism or subversive activity
  - Market abuse offenses
  - Inducement to not provide accounts or to provide false accounts to the authorities
  - Environmental offenses
  - Extortion and corruption
- the Ethics Code, a document circulated to all employees and which expressly forbids the criminal behaviour established by the Decree, in relation to which the Company can be held directly responsible in the absence of an adequate and specific Internal Control System (available at the web address [www.elicagroup.com](http://www.elicagroup.com) in the Corporate Governance/Area 231 section);
  - the Governance System, a document circulated to all employees under the provisions established in the national work contract concerning behaviour considered harmful to company interests in accordance with the Decree (available on the website [www.elicagroup.com](http://www.elicagroup.com) in the Corporate Governance/Area 231 section);
  - the requirements and the duties assigned to the Supervisory Board, a Corporate Board appointed to oversee the effectiveness, adequacy, enactment and updating of the Organisational Model. In particular, the Supervisory Board currently in office is comprised of Mr. Bruno Assumma (Chairman), Mr. Glauco Vico (member) and Mr. Cristiano Babbo (member and Internal Audit Manager of Elica).

On February 14, 2012, the Board of Directors evaluated the possibility of assigning the duties of the Supervisory Board to the Board of Statutory Auditors, considering it opportune to establish two distinct bodies.

#### **11.4 Independent Audit Firm**

The Shareholders' Meeting of April 12, 2006 appointed for the period 2006-2011, the audit company Deloitte & Touche SpA for the auditing of the financial statements of the company, the consolidated financial statements and the half-year report, as well as the control of the correct accounting of the company.

The shareholders' meeting of April 30, 2007 extended this appointment, in conformity with law, for the further period 2012-2014.

#### **11.5 Executive responsible for the preparation of corporate accounting documents**

In accordance with Article 154-*bis* of the CFA as amended by law No. 262 of December 28, 2005 (so-called "Savings Law") and in accordance with Article 26 of the By-Laws, on January 9, 2012, the Board of Directors, having consulted with the Board of Statutory Auditors, appointed as the Executive Responsible for the preparation of the Corporate Accounting Documents - in replacement of Mr. Vincenzo Maragliano - Mr. Alberto Romagnoli, Finance Director, until the shareholders' meeting for the approval of the financial statements at December 31, 2011. Subsequently, at the meeting of April 27, 2012, the newly appointed Board of Directors reappointed Alberto Romagnoli to this position, until the Shareholders' Meeting called for the approval of the 2014 Annual Accounts.

Article 26 of the By-Laws provides that the Executive Responsible for the preparation of the corporate accounting documents must have specific professional skills in administration, finance and control, as well as the requisite standing established for directors. The Board considered that the professional requirements with specific competence in the area of administration, finance and control have been fulfilled as well as the standing requirements required by the By-laws, and has proceeded to provide him with adequate resources and means necessary to carry out his duties.



In particular, in order to fully carry out his duties, the Executive Responsible, among others, may avail of the powers and resources established in the Guidelines drawn up by Confindustria in relation to the role (edition of December 13, 2007).

The Executive Responsible, in the exercise of his institutional role, in application of the above-stated Article 154-*bis* of the CFA:

- has specific duties of control in relation to the legal notices and communications of the Company established by law or announced to the market, containing information and data on the income statement, balance sheet and financial situation of the Company, accompanied by a written declaration of the Chief Executive Officer and the Executive Responsible for the preparation of the Corporate Accounting Documents, who attest to their truthfulness;
- prepare administrative and accounting procedures for the completion of the parent company and consolidated financial statements, as well as for every other communication of a financial nature;
- declares, together with the executive boards, through a report, attached to the parent company and consolidated financial statements, the adequacy and the effective application of the administrative and accounting procedures adopted in the year on which the accounts are based, as well as the correspondence of the financial statements with the underlying accounting documents and records.

#### **11.6 Coordination of the parties involved in the Internal Control and Risk Management System**

The periodic verification of the adequacy and effective functioning, and any review, form an essential part of the Internal Control and Risk Management Structure, in order to ensure its full and correct efficacy.

For these purposes the Internal Audit Manager, in the meetings of the Internal Control and Risks Management System at which the Board of Statutory Auditors and the Executive Responsible for the Preparation of Corporate Accounting Documents attend, reports on the activities carried out and therefore on the management of risks, on the compliance of the content of the plans, and on the evaluation of the appropriateness of the Internal Control system itself.

The Board of Directors receives and examines on a half-yearly basis the reports prepared by the Internal Control and Risk Management Committee and examines the significant corporate risks submitted for the attention of the Director in charge of the Internal Control and Risk Management System.

## **12. HOLDINGS OF DIRECTORS AND TRANSACTIONS WITH RELATED PARTIES**

The “Procedure for Transactions with Related Parties” (“TRP Procedure”) adopted by the Board of Directors in the meeting of November 11, 2010 and updated on August 28, 2012, is available on the website of the Company in the Section *Investor Relations/Corporate Governance*.

On August 28, 2012, the Board, following the evaluation, did not consider it necessary to amend the Transactions with Related Parties Procedure previously approved, except for the amendments required to update the procedure in line with the stated regulations and to make clear that the duties allocated to the “Committee” under the Transactions with Related Parties Procedure, previously allocated to the Internal Control Committee, have been allocated to the Internal Control and Risk Management Committee.

In the TRP Procedure, the Board established the criteria to identify transactions for which application is required, in order to ensure the transparency and correctness, both materially and procedurally, of transactions with related parties.

In 2012, no transactions of particular significance to the Company were carried out with related parties.

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In relation to transactions in which a director has, on his own behalf or on behalf of third parties, an interest, the interested director is called, except for specific circumstances, to abstain from the vote or to leave the meeting at the moment of discussion and resolution. When the transaction is not subject to the prior approval of the Board of Directors but within the powers delegated to the interested director, also through the exercise of a specific proxy, this latter abstains from the carrying out of the transaction and provides in a timely and exhaustive manner information in relation to such to the Board.

In order to identify transactions in which a director may have an interest, also on behalf of third parties, the Company utilises, among others, an electronic database containing information on related parties of directors of the Company.

### **13. APPOINTMENT OF STATUTORY AUDITORS**

In relation to the appointment of statutory auditors, reference is made to the subsequent section “Manner for electing Corporate Boards”.

### **14. COMPOSITION AND OPERATION OF THE BOARD OF STATUTORY AUDITORS (AS PER ARTICLE 123-BIS, PARAGRAPH 2, LETTER D) CFA)**

The Company’s By-laws provide that the Board of Statutory Auditors consist of three standing auditors and two alternate auditors.

The Board of Statutory Auditors currently in office was appointed, in accordance with the requisites of autonomy and independence of article 8.C.1 of the Self-Governance Code, by the Shareholders’ Meeting of April 27, 2012, as per the By-Laws at the date of the appointment, which provides for the “voting of slates” and remains in office until the approval of the financial statements at December 31, 2014. Two unconnected slates were presented:

- SLATE 1: presented by the majority shareholder FAN s.r.l., which proposed the following slate of candidates (“Majority Slate”):

- Standing Auditors: Casali Gilberto; Marasca Stefano and Giuliani Marco;
- Alternate Auditors: Borioni Franco and Luzi Giancarla.

- SLATE 2: presented by shareholders: FIRST CAPITAL S.p.A., IMMI INVEST S.r.l., who proposed the following slate of candidates (“Minority Slate”):

- Standing Auditors: Mariotti Corrado;
- Alternate Auditors: Capecci Daniele.

For further details on the slates, reference is made to the documentation relating to the above stated Shareholders’ Meeting available on the internet site of the Company.

The result of the voting of Shareholders present at the Shareholders’ Meeting was as follows:

- votes in favour of Slate 1 – 33,442,445, equal to 89.7201% of the voting share capital;

- votes in favour of Slate 2 – 3,340,858, equal to 8.9629% of the voting share capital; and
- not voting 490,897, equal to 1.3170% of voting share capital.

**TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS** attached to the present report shows the composition of the Board of Statutory Auditors at December 31, 2012, which is the same as the composition of the board at the preparation of the present Report.

Reported below is a brief *curricula vitae* of the members of the Board of Statutory Auditors:

**Corrado Mariotti:** born in Numana (AN) on 29/2/1944, Chairman of the Board of Statutory Auditors of Elica S.p.A.. Member of the Accountants' Association of Ancona from 14/09/1970. Member of the Official Auditors Roll with Ministerial Decree 5.5.1977 (Official Gazette No.130 of 14.5.1977). Member of the Auditors Register with Ministerial Decree 12.4.1995 (Official Gazette 4<sup>th</sup> series special No.31 *bis* of 21.4.1995) at No. 35727. Has carried out many appointments from the Court (particularly in Ancona) such as Receiver and supervisor of a controlled administrative procedure, inspector and legal administrator, technical consultant of the Court of P.M and G.I.P. Has acted continuously since 1970 as an accountant in Ancona, exclusively within the field of corporate consultancy: corporate, tax, financial, auditing, examination and administrative. He is Chairman of the Board of Directors of Banca Popolare di Ancona S.p.A.; Director of Interporto Marche S.p.A.; Chairman of the Board of Statutory Auditors of SO.GE.S.I Soc. Gestione Servizi Industriali S.r.l. Unipersonale, of Somacis S.p.A. and of Somipress S.p.A. and Statutory Auditor of Nazareno Gabrielli Diaries S.p.A. and of Zetabi S.p.A., in addition to a member of the Board of Auditors of the Polytechnic University of Le Marche.

**Stefano Marasca:** born in Osimo (AN), 9/8/1960; Statutory Auditor of Elica S.p.A.. Professor of "Business Studies" at the Polytechnic University of Le Marche. Director of the Management Department at the University. Author of numerous publications and coordinator of research locally and inter university on the themes of accounting, of financial statements and international accounting principles, of strategic control and management control, of the measurement and valuation of intangible assets for internal reporting and communication to stakeholders. Ordinary member of the A.I.D.E.A. (Italian Academy of Business Studies). Member of the Scientific Committee for articles and scientific journals relating to business studies and the financial-economic communication of companies. Member of the Accountants' Association of Ancona from 1986. Member of the Auditors' Association since its constitution (membership No.34987). Listed on the roll of technical consultants of the Court of Ancona since 1994, Chairman of the Board of Statutory Auditors of Sisme S.p.A. and Statutory Auditor of Gidea S.r.L., of Bardelli S.p.A. and of Ottaviani S.p.A..

**Gilberto Casali:** born in Jesi (AN), 14/01/1954; Statutory Auditor of Elica S.p.A.. He has been a member of the Accountants Association of Ancona since 23/03/1978 at No. 69/A as well as being on the

Technical Consultants of the Civil and Criminal Court of Ancona roll. Official auditor of accounts with Min. Decree 9/07/1993 published in the Official Gazette No. 58 of 23/07/1993. He is a member of the Auditors' Register at No. 11716 with Ministerial Decree 12/04/1995 published in the official gazette No.31 bis of 21/04/1995 – IV Special Series.

He is Chairman of the Board of Directors of Cavallottiundici S.r.l., of Fincrea S.r.l., of L'Olivo S.r.l., of Sanmarcodue S.r.l. and is Sole Director of Imak S.r.l..

He is Chairman of the Board of Statutory Auditors of Ermanno S.r.l., of Kalida S.p.A., of Garofoli Strutture S.p.A., of Mait S.p.A., of Gielle Real Estate S.r.l., of Nuna S.r.l. and of Mark Leasing S.p.A. and is a Statutory Auditor of Adriafin S.p.A., of Babini S.p.A., of Cav. Del Lav. Igino Pieralisi S.p.A., of Egisto Pieralisi S.A.P.A. di Gennaro Pieralisi, of Elfa Hotel S.p.A., of Engifin S.p.A., of Giudici S.p.A. in liquidation, of Golden Lady Company S.p.A., of La Castellina S.p.A., of Ninì Pieralisi S.A.P.A. di Luigi Pieralisi, of Pieralisi Immobili S.p.A., of S.A.S.A. 2 S.p.A., of Safe S.p.A. del Cav. Del Lav. Igino Pieralisi, of SO.T.AC. S.r.L., of 2 M S.p.A. and of the Ermanno Casoli Foundation.

**Franco Borioni:** born in Jesi (AN), 23/06/1945; Alternate Auditor of Elica S.p.A.. He has been a member of the Accountants Association of Ancona since April 11, 1979 at No. 73/A as well as being on the Technical Consultants of the Civil and Criminal Court of Ancona roll. Official auditor of accounts with Min. Decree 24/02/1988 published in the Official Gazette No. 53 of 04/03/1988. He is a member of the Auditors' Register at No. 7353 with Ministerial Decree 12/04/1995 published in the official gazette No.31 bis of 21/04/1995 – IV Special Series.

He is Sole Director of Gielle Real Estate S.p.A., of Kalida S.p.A., of Belgravia srl., of Casper S.r.l., of Led S.r.l., of Sedepi S.r.l. and Chairman of the Board of Directors of Devina S.r.l., of Alyante S.r.l. and of SED S.r.l. and a Director of Marmo Meccanica S.p.A. and of Cavallottiundici S.r.l.. He is the Chairman of the Board of Statutory Auditors of 2M S.p.A., of Adim Scandolara S.p.A., of Air Force S.p.A. (subsidiary of the Company), of Cav. del Lavoro Igino Pieralisi S.p.a., of Confidi Ancona Soc. Coop. p.a., of Egisto Pieralisi S.p.a., of FAN Srl, of Fintrack S.p.A., of the Ermanno Casoli Foundation, of Gilfin S.p.A., of Imesa S.p.A., of Levitas S.p.A., of Nini Pieralisi S.p.a., of Safe S.p.a., of Sasa 2 S.p.A. and a Statutory Auditor of Anpier S.p.A. (shareholder of the Company), of Ausiliare S.p.A., of Golden Lady Company S.p.A., of Tenute Pieralisi S.r.l. Società agricola, of Mait S.p.A., of RPA Risanam. Protez. Amb. S.r.l., of Simonetta S.p.A., of Torelli Dottori S.p.A. and of TV Centromarche S.p.A..

**Daniele Capecchi:** born in Jesi (AN) on 03/04/1972. Alternate Auditor of Elica SpA. Member of the Accountants' Association of Ancona from 05/03/2004 at No.589/A.

He is a member of the Auditors' Register at No. 139798 with Ministerial Decree 21/04/2006 published in the official gazette No.34 of 05/05/2006 – IV Special Series.

He is the Sole Director of Ellegi S.r.l.; liquidator of Dalia S.r.l. in liquidation; Director of Tecnica HS S.r.l., of Campo Boario S.p.A., of C.O.S.I.E. – Consorsio Stabile Infrastrutture Europee and of Debson S.r.l.; Chairman of the Board of Statutory Auditors of GIMA S.p.A. and of Smorlesi Gaetana Cecilia & C. S.p.A.; Statutory Auditor of the Associazione dei Comuni Virtuosi, of Caimi Export S.p.A., of Caimi Export 2 S.p.A., of Eida S.p.A., of Equipe S.p.A., of Ermanno S.r.l., of the Ermanno Casoli Foundation,

of Federico II Stupor Mundi Foundation, of Nuna S.r.l., of ISTAO – Istituto Adriano Olivetti, of Renco Health Care S.r.l., of Renco S.p.A., of SO.T.AC. S.r.l., of YCami S.p.A. and of Santoni S.p.A..

### **Board of Statutory Auditors activities in 2012 and in 2013 until the date of the present Report.**

In relation to the activities carried out, the Board of Statutory Auditors in 2012 met 9 times, respectively on January 9, March 2, March 12, March 28, April 27, July 3, September 13, September 21 and December 6.

In 2013, the Board of Statutory Auditors met on one occasion, on March 7.

The activities of the Board of Statutory Auditors concerns, among others, in accordance with point 3.C.5 of the Self-Governance Code, the verification of the criteria and procedures adopted by the Board to evaluate the independence of its members. The Board of Statutory Auditors in the course of the above-stated verifications did not record anomalies, as per the minutes drawn up of April 27, 2012 and September 13, 2012.

The Board of Statutory Auditors established the independence of its members in conformity with article 8.C.1 of the Self-Governance Code in the meeting of April 27, 2012.

The Board has constantly monitored the independence of the Independent Audit Firm in carrying out its duties, verifying compliance with law and monitoring the other activities carried out apart from accounting control.

The Board of Statutory Auditors, in carrying out its duties, coordinated its activities with the Internal Audit manager and the Internal Control and Risk Management Committee through the exchange of information relating to their respective activities and the participation of the Board of Statutory Auditors at the Internal Control and Risk Management Committee meetings during the year.

The Board of Statutory Auditors notes that the company, having complied with the Self-Governance Code of Borsa Italiana S.p.A., provides that where a statutory auditor, on his/her own behalf or that of third parties, has an interest in a determined transaction of the Company, he/she must inform the other statutory auditors and the chairman of the Board, in a timely and comprehensive manner, regarding the nature, terms, origin and extent of his/her interest. In accordance with the Consob Regulation concerning

transactions with “related parties” the members of the Board of Statutory Auditors drew up a document for the identification of related parties in accordance with Article 4, paragraph 4 of Consob Regulation, adopted with resolution No. 17221 of March 12, 2010 and No. 17389 of June 23, 2010.

The members of the Board of Statutory Auditors have adequate experience and knowledge of the sector in which the Company operates; however, in order to improve such knowledge, and of the corporate activities and performance, in addition to the regulatory framework, the Board of Statutory Auditors attends the meetings of the Board and of the Committees, in addition to the ad hoc meetings organised by the Chairman of the Board of Directors.

## **15. RELATIONS WITH SHAREHOLDERS, WITH BORSA ITALIANA AND WITH THE COMPETENT AUTHORITY.**

In conformity with article 9.C.1 of the Self-Governance Code, the Board of Directors, in the meeting of September 27, 2007 appointed Ms. Laura Giovanetti as the Investor Relations manager in replacement of Mr. Vincenzo Maragliano, previously appointed at the meeting of April 12, 2006. The Investor Relations Manager is assigned the duties of (i) fostering the Company relationships with the financial community; (ii) enabling continuous dialogue between the company and the stakeholders and in particular the investors and shareholders; (iii) communicating to investors and the market the performance of the business and (iv) carrying out the operations and the duties relating to the Insider Register of the Company, in conformity with the “Regulation for the treatment of corporate information and the constitution of the Insider Register”.

In addition, in order to guarantee a more efficient flow of information with the relevant authorities and the market, the Board of Directors of the Company considered it proper that the Information Officer coincides with the role of the Investor Relations Manager and at the same meeting of September 27, 2007 conferred Ms. Laura Giovanetti the appointment of Information Officer responsible for the relations with Borsa Italiana and Consob, in replacement of Mr. Vincenzo Maragliano.

Therefore on November 11, 2010, following the conferment of other duties to Mr. Giampaolo Caselli, the Company replaced him with Ms. Francesca Pisani, Legal & Corporate Affairs Supervisor of the Company, in the role of Information Officer.

All of the documents relating to the Corporate Governance and the other information relating to the Company, which have significance for shareholders, are consultable on the website [www.elicagroup.com](http://www.elicagroup.com) in the relevant Investor Relations section.

### **Internal Dealing regulations**

The Company, with Board resolution of April 12, 2006, adopted a procedure concerning the information obligations relating to financial instruments issued by the Company, related to so-called “significant” persons and persons associated with them, in relation to Internal Dealing (the so-called "Internal Dealing Code"). This procedure was amended on April 27, 2012 for the purposes of, among others, the adjustment in line with the regulatory amendment to Article 152 *septies*, paragraph 3 of the Issuers’ Regulation, introduced with Consob Resolution No. 18079 of January 20, 2012.

The regulation is published on the Company website in the Investor Relations/Corporate Governance section.

## **16. SHAREHOLDERS’ MEETINGS**

The By-Laws of the Company do not provide for a method of functioning other than those as prescribed by law and regulations<sup>22</sup>.

Normally, all of the directors attend the Shareholders’ Meetings. At the Shareholders’ Meeting of April 27, 2012, on which date the mandate of the Board of Directors concluded and at which a new Board was appointed, seven of the eight Directors attended, including the Chairman and a number of members of the Appointments and Remuneration Committee.<sup>23</sup>

On the renewal of the Corporate Boards by the Shareholders’ Meeting of April 27, 2012, the majority shareholder of the Company filed at the registered office the nomination slates for the Board of Directors and Board of Statutory Auditors of the Company. The slates were made available to the public in accordance with the applicable regulations. All the matters on the Agenda of the Shareholders’ Meeting were outlined in the

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<sup>22</sup> The Shareholders’ Meeting assigned the Board the duties as per Article 19.2 of the By-laws, in accordance with the Article 2365 of the Civil Code.



Illustrative Reports of the Directors to the Shareholders' Meeting, with the exception of the proposals concerning the remuneration of the Corporate Boards, which were thereafter confirmed for the members of the Board of Directors (compared to the remuneration devolving to members previously in office) and in fact reduced, where fixed, for the members of the Board of Statutory Auditors.

All those who have sent the company the communication provided by the intermediary appointed by the end of the third market day preceding the date fixed for the Shareholders' Meeting in first call or in single call, have the right to attend the shareholders' meeting, or within a different time period established by existing regulations, as long as the communications are sent to the Company within the above-stated time periods, provided by the beginning of the business of the shareholders' meeting.

Every shareholder may be represented by a third party conferring upon him proxy in accordance with law, the By-Laws and the Shareholders' Meeting regulation.

The notification through electronic means of proxy to the Company by those with the right to vote may take place through sending an e-mail to the address indicated in the call notice.

The Shareholders' Meeting of the Company on April 12, 2006 approved the Shareholders' Meeting Regulation, proposed by the Board of Directors in accordance with article 9.C.3 of the Self-Governance Code, subsequently amended by the Shareholders' Meeting of April 28, 2011 in order to guarantee the proper carrying out of the shareholders' meetings as well as the rights of each shareholder to contribute to discussions on the matters on the agenda. The regulation is published on the Company website in the Investor Relations/Corporate Governance section.

The Board reported on the activities carried out and programmed in the Shareholders' Meetings and endeavoured to ensure shareholders have adequate information regarding the necessary elements so that they could take, in a knowledgeable manner, the decisions within the authority of a Shareholders' Meeting.

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<sup>23</sup> They attended also to provide any clarifications on the content of Sections 8 and 9 of the present Report, in addition to the content of the Remuneration Report, including, among other issues, the description of the manner of exercise of the duties of the stated Committee.

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In relation to the market capitalisation of the shares and the ownership structure in 2012, at January 2, 2012 the official price of shares was Euro 0.7922 and at December 28, 2012 was Euro 0.9992; the minimum price in 2012 was Euro 0.5887, the maximum price in 2012 was Euro 1.0172 and the average price in 2012 was Euro 0.8057.

No significant changes took place to the ownership structure; it is noted however that Whirlpool Europe S.r.l. communicated to the public to having exceeded on September 5, 2012 the 10% threshold holding in the Company.

The Board of Directors, in the meetings of February 14, 2012 and February 14, 2013, noting the share price in the periods preceding the respective meetings, decided not to propose to the Shareholders' Meeting changes to the By-laws in relation to the percentages established for the exercise of the shares and of the protection of minority shareholders.

### **Manner for electing Corporate Boards**

According to the provisions of the current By-Laws, the appointment of the Board of Directors and the Board of Statutory Auditors is carried out through the voting of slates, in accordance respectively with articles 16 and 24 of the by-law.

Only shareholders who individually or collectively hold at least 2.5%<sup>24</sup> of the share capital have the right to present slates or a differing minimum percentage provided for or allowed by regulations.

For the inclusion of the Directors to be elected, consideration is not taken of the slates which have not obtained at least half of the votes required for the presentation of the slates. All those entitled to vote shall vote for only one slate.

Directors must have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives.

Statutory Auditors must also have the requisites of eligibility, professionalism and independence provided by law and the other applicable directives. In particular, in relation to the professionalism requirement covered by article 1 of Justice Ministerial Decree of March 30, 2000, No. 162, the following fields are deemed to be closely

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<sup>24</sup> The percentage indicated coincides with the percentage holding established by Consob in accordance with Article 144-*quater* of the Issuers' Regulation.

related to the company's activities: that relating to commercial or tax law, the economy and corporate finance, the manufacturing and design sector, as well as the activities listed in article 2 of the by-laws, to which reference should be made.

Except in the situation of ineligibility established by law, no person who covers offices of statutory auditor in five or more other companies listed on regulated markets may fulfil the role of statutory auditor and if nominated must vacate the office, with exclusion of the subsidiary companies as well as the parent companies and the companies controlled by such, or anyone who covers offices of direction and control in a number higher than that provided by law and the regulations in force.

The presentation of slates for the appointment of the Board of Directors will occur in the manner established by, and in compliance with, Article 16 of the By-laws, to which reference should be made.

The presentation of slates for the appointment of the Board of Statutory Auditors will occur in the manner established by, and in compliance with, Article 24 of the By-laws, to which reference should be made.

In relation to the appointment of the Board of Statutory Auditors, in the case in which twenty-five days prior to the Shareholders' Meeting only one slate is presented, or only slates related to it are presented, in accordance with Article 144 *sexies*, paragraph five of the Issuers' Regulations, slates may be presented up until the third subsequent day to this date. In this case, the percentage threshold established for the presentation of the slate is reduced by half (1.25% of the share capital).

The slates presented that do not comply in full with the By-laws shall be considered as not presented.

The Company assures that the shareholders are provided adequate information on the profile of the candidates for the offices of director and statutory auditor in the manner set out in the above stated articles to which reference is made.

With reference to the method of election of the Board of Directors through the "voting of slates", the By-Laws provide that:

a) from the slate which obtained the highest number of votes (hereafter the "Majority Slate") all of the members of the Board of Directors are elected except one, as established by the Shareholders' Meeting, according to the progressive order of the slate;

b) from the slate which obtained the second highest number of votes (hereafter the “Minority Slate”), which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, the first candidate listed is elected to the Board of Directors.

If, with the candidates elected through the manner set out above, an adequate number of independent Directors is not be elected, however not lower than the amount provided by law, the non independent candidate(s) elected as last in progressive order of the Majority Slate will be replaced by the first independent candidate according to the progressive ordering not elected in the same Majority Slate.

The candidate listed in first position on the Majority Slate is elected as Chairman of Board of Directors.

Should two or more slates receive the same number of votes, a second vote of the Shareholders’ Meeting is taken, with only those tied taking part.

In the case in which only one slate is presented or voted upon, all of the Directors will be elected from this slate.

Where no slate is presented, the shareholders’ meeting votes by statutory majority, without complying with the above-mentioned procedure.

The procedure for electing Statutory Auditors shall be as follows:

- 1) from the slate which obtained the highest number of votes in the shareholders' meeting (hereafter the “Majority Slate”), based on the progressive order on the slate, 2 standing members and 1 alternate member are elected;
- 2) from the slate which obtained the second highest number of votes at the shareholders’ meeting (hereafter the “Minority Slate”), which is not connected in any way, even indirectly, with the shareholders who have presented or voted on the Majority Slate, one statutory auditor and one alternate auditor is elected.

The Chairman of the Board of Statutory Auditors shall be the first candidate on the Minority Slate.

In the case of a tie in the number of votes between two or more slates, the eldest candidates shall be deemed elected.

In the case of the substitution of a standing auditor, an alternate auditor is taken from the same slate as the auditor leaving office.

The previous provisions in relation to the election of statutory auditors are not applied to Shareholders' Meeting for which only one slate is presented or voted upon or in the shareholders' meetings which provides in accordance with law for the appointment of statutory auditors and/or alternate auditors necessary to complete the Board of Statutory Auditors following replacement or resignation. In this case, the Shareholders' Meeting votes by majority.

The Board in office was appointed before the entry into force of Law 120/2011 concerning gender balance and the Company intends to amend the By-laws, in line with, among others, the above-stated regulation, at the Shareholders' Meeting called for the approval of the 2012 Annual Accounts.<sup>25</sup>

The Company By-Laws are available on the website of the Company at the Section Investor Relations/Corporate Governance, Borsa Italiana S.p.A. and at the company's registered office.

### **Changes since year-end**

The text of the present Report was updated, in the case of individual paragraphs, with the information relating to the changes between December 31, 2012 and March 15, 2013, date of approval.

Elica S.p.A.

The Chairman of the Board of Directors

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<sup>25</sup> For further information on the proposals to amend the By-laws, reference should be to the Directors' Report to the Shareholders' Meeting called for April 24, 2013, in relation to the By-law amendments, available on the Company website.

**TABLE 1 – INFORMATION ON THE SHARE CAPITAL**  
*Share Capital structure*

	<b>NO. OF SHARES</b>	<b>% SHARE CAPITAL</b>	<b>LISTED/NON-LISTED</b>	<b>RIGHTS &amp; OBLIGATIONS</b>
Ordinary shares	63,322,800	100%	Listed on the MTA Star	Voting rights at ord/extraord meeting, dividends and payment on liquidation
Shares with limited voting rights				
Shares with no voting rights				

*Significant holdings*

<b>Shareholder</b>	<b>Direct shareholder</b>	<b>% of ordinary share capital</b>	<b>% of voting share capital</b>
<b>PIERALISI GIANNA</b>	FAN S.r.l.	52.809%	52.809%
<b>PIERALISI GIANNA</b>	S.A.F.E. S.A.P.A. DEL CAV. IGINO PIERALISI	0.184%	0.184%
<b>PIERALISI GIANNA</b>	PIERALISI GIANNA	0.082%	0.082%
<b>ELICA SPA</b>	ELICA SPA	5.000%	5.000%
<b>FIRST CAPITAL SPA</b>	FIRST CAPITAL SPA	3.2759%	3.2759%
<b>WHIRLPOOL CORPORATION</b>	WHIRLPOOL EUROPE Srl	10.009%	10.009%
<b>IMMI INVEST SRL</b>	IMMI INVEST SRL	2.000%	2.000%

**TABLE 2 - STRUCTURE OF THE BOARD OF DIRECTORS AND OF THE COMMITTEES*****Board of Directors***

<b>Name</b>	<b>Place and date of birth</b>	<b>Office</b>	<b>In office from<sup>26</sup></b>	<b>No. of other offices*</b>	<b>Exec.</b>	<b>Indep. as per Code/ Ind. CFA</b>
Francesco Casoli	Senigallia (AN) 05/06/1961	Chairman of the Board of Directors	April 27, 2012	2/-	sì	no
Giuseppe Perucchetti (**)	Varese 30/10/1958	Chief Executive Officer	April 27, 2012 Director; September 30, 2012, CEO	1/-	sì	no
Gianna Peralisi	Monsano (AN) 12/12/1934	Executive Director	April 27, 2012	4/-	yes	no
Gennaro Peralisi	Monsano (AN) 14/02/1938	Director	April 27, 2012	13/9	no	no
Andrea Sasso (***)	Rome, 24/08/1965	Director	April 27, 2012	-	no	no
Stefano Romiti (****)	Rome, 17/11/1957	Director	April 27, 2012	1/-	no	yes/ yes
Elena Magri	Brescia 19/07/1946	Director	April 27, 2012	1/1	no	yes/ yes

(\*) includes the positions held in financial companies not registered as per Articles 106 and 107 of Legislative Decree 385/93 – Banking Act/ No. offices held in these companies excluded. For further information, reference should be made to the list at section “Maximum number of offices held in other companies”

(\*\*) Giuseppe Perucchetti was an Independent Director until September 13, 2012, the date on which, following the revocation of powers by Andrea Sasso, he was appointed as Chief Executive Officer of the Company.

(\*\*\*) Andrea Sasso was Chief Executive Officer of the Company until September 13, 2012, date of revocation of powers. For further information, see the Press Release of September 13, 2012.

(\*\*\*\*) Lead Independent Director.

<sup>26</sup> La data si riferisce alla nomina più recente. Per l’anzianità di carica cfr. *curricula* degli amministratori.

### *Directors resigning during the year*

<b>Name</b>	<b>Place and date of birth</b>	<b>Office</b>	<b>In office until</b>	<b>Exec.</b>	<b>Indep.as per Cod. / Ind. CFA</b>
Giovanni Frezzotti	Jesi (AN), 22/02/1944	Director	April 27, 2012	no	yes / yes
Luca Paccès	Rome, 16/02/1940	Director	April 27, 2012	no	yes / yes

### *Attendance of the Directors at Board meetings and on the Committees*

<b>Office</b>	<b>Name</b>	<b>B.o.D.</b>	<b>I.C.C.</b>		<b>R.C.</b>	
		<b>%</b>	<b>member</b>	<b>%</b>	<b>member</b>	<b>%</b>
Chairman	Francesco Casoli	88				
Chief Executive Officer	Giuseppe Perucchetti	100				
Executive Director	Gianna Peralisi	100				
Director	Gennaro Peralisi	88	X	100	X	100
Director	Giuseppe Perucchetti (*)	100	X	100	X	100
Director	Andrea Sasso	100				
Director	Elena Magri(**)	100	X	100	X	100
Director	Stefano Romiti	100	X	100	X	100
<i>Director</i>	<i>Luca Paccès (***)</i>	<i>100</i>			X	<i>100</i>
<i>Director</i>	<i>Giovanni Frezzotti (***)</i>	<i>100</i>	X	100	X	<i>100</i>
<b>Number of meetings</b>		<b>8</b>		<b>4</b>		<b>5</b>

\* In office as a member of Committees between April 27, 2012 and September 13, 2012;

\*\* In office from April 27, 2012 as a Director and from September 13, 2012 as a member of the Committees;

\*\*\* In office until April 27, 2012.

The percentage attendance concerns the period of the respective office and not the absolute number of meetings held in 2012. Italics are used to highlight the offices concluding in 2012.



**TABLE 3 – STRUCTURE OF THE BOARD OF STATUTORY AUDITORS*****Board of Statutory Auditors***

<b>Office</b>	<b>Name</b>	<b>In office from</b>	<b>In office until</b>	<b>Slate M/m *</b>	<b>Independence as per Code</b>	<b>** (%)</b>	<b>No. of other offices ***</b>
Chairman	Corrado Mariotti	April 27, 2012	Approv. 2014 FS	m	Yes	100%	5
Statutory Auditor	Stefano Marasca	April 27, 2012	Approv. 2014 FS	M	Yes	100%	/
Statutory Auditor	Gilberto Casali	April 27, 2012	Approv. 2014 FS	M	Yes	100%	2
Alternate Auditor	Franco Borioni	April 27, 2012	Approv. 2014 FS	M	Yes	0%	5
Alternate Auditor	Daniele Capecci	April 27, 2012	Approv. 2014 FS	m	Yes	0%	2

*Quorum required for the presentation of slates of latest appointment: 2.5% reduced then to 1.25%*

*Number of meetings held in the year: 9*

*Average duration of the meeting: 2 hours*

*Number of meetings of the Board of Statutory Auditors programmed for the current financial year: 8*

*Of which already held: 1*

**NOTES:**

*\* In this column M/m is indicated according to whether the director was elected by the majority (M) or minority (m) slate.*

*\*\* In this column the attendance percentage of the statutory auditors at the meetings of the Board is indicated (No. of attendances/No. of meetings carried out during the effective period of office of the statutory auditor).*

*\*\*\* This column indicates the number of offices of director or statutory auditor in accordance with Article 148 bis of the CFA.*

*The complete list of offices held is published by Consob on its website pursuant to Article 144- quinquiesdecies of the Consob Issuers' Regulations.*

## ATTACHMENT 1

### Extract from the shareholder agreements communicated to Consob in accordance with article 122 of legislative decree No. 58 of February 24, 1998

#### ELICA S.P.A.

Registered Office in Via Dante Alighieri n. 288, 60044 Fabriano (AN)  
Share Capital Euro 12,664,560. Registered at the Company's Register Office of Ancona 00096570429

- **FAN S.A.**, a Luxembourg incorporated company, registered office in Boulevard du Prince Henry - L - 1724 ("**FAN**"), with a direct holding with voting rights of 52.81% in the share capital of **Elica S.p.A.**, registered office in Fabriano (AN), Via Dante Alighieri No. 288, registered at the Company's Register Office of Ancona, No. 00096570429 (the "**Company**" or "**Elica**");

- **Whirlpool Europe S.r.l.**, an Italian incorporated company, registered office in Comerio (VA), Viale Guido Borghi No. 27, registered at the Company's Register Office of Varese, No. 01534610124 ("**Whirlpool**");

(FAN and Whirlpool hereafter are referred to as individually the "**Party**" and, collectively, the "**Parties**").

#### Given that

a) FAN is a Luxembourg registered company, majority shareholder of Elica;

a1) following the merger by incorporation of FAN S.A. into Prop S.r.l. which at the same time modified the name to FAN S.r.l. (see subsequent point l) and m)), FAN S.r.l. assumes all the rights and obligations of FAN S.A. and sub-enters into the present Agreement and modified agreements and also into the Share Options Agreement and the respective attachments and continues all relations of FAN S.A., including those related to the Agreement; therefore, from the date of efficacy of the merger, all references to FAN S.A. contained in the Agreement and also in the Share Options Agreement and the respective Attachments, must be intended as applied to FAN S.r.l. – registered offices in Rome, Via Parigi No.11, recorded in the Rome Company's Registration Office at No. 10379911000.

b) Whirlpool is an Italian registered company, subsidiary of Whirlpool Corporation, parent company of a leading world manufacturer of home appliances;

c) Elica is world leader in the production of oven hoods and is a long-time supplier to Whirlpool in Europe and in North America;

d) the ordinary shares of the Company (the "**Shares**") were admitted for trading on the Mercato Telematico Azionario ("**MTA**"), Star Segment, organised and managed by Borsa Italiana S.p.A. ("**Borsa Italiana**");

e) on December 10, 2007, FAN and Whirlpool signed a shareholder agreement (the "**Shareholder Agreement**" or the "**Agreement**") which provides (i) a purchase contract by Whirlpool of 3,166,140 Shares, representing 5% of the Shares currently outstanding, equal to 63,322,800 Shares (the "**5% Holding**"), which were sold by FAN, ANPIER S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli; the purchase was completed on December 18, 2007 (the "**Closing**") and (ii) regulations concerning the governance of the Company;

f) in accordance with the Shareholder Agreement, Whirlpool and the Company also signed an option agreement on Shares (the "**Share Option Agreement**") – subject to the purchase of the 5% Share by Whirlpool – granting Whirlpool the right to purchase Treasury Shares of the Company (the "**Call Option**") up to 10% of the Shares currently outstanding (equal to 6,332,280 Shares) with voting rights of the Company (the "**Call Option Shares**") for a period of 18 months from the date of receiving communication from Elica of the purchase of the 5% Share (the "**Option Period**"); and

g) simultaneously, Maytag Sales Inc., a US registered company wholly owned by Whirlpool Corporation ("**Maytag**") and Elica signed an exclusive supply contract for hoods in Europe, the Middle East, Africa and North America for a period of 6 years ("**OEM Supply Agreement**");

h) on December 3, 2008, Whirlpool and the Company signed an agreement to modify some clauses of the Share Options Agreement ("**Modifying Agreement**");

i) on June 15, 2009, Whirlpool and the Company signed a further agreement to modify some clauses of the Share Options Agreement ("**The Second Modifying Agreement**" together with the Modifying Agreement "**The Modifying Agreement**") which, among other issues, extends the options period to December 31, 2009;

l) on December 18, 2009, Whirlpool Europe S.r.l., Prop s.r.l. and Elica S.p.A., signed, thus confirming their respective obligations, the communication issued by FAN S.A. and filed with the Ancona Company Registration Office, relating to the merger by incorporation of FAN S.A. into Prop s.r.l., which at the same time changed its name to FAN s.r.l.;

m) on December 18, 2009, the merger by incorporation of FAN S.A. into Prop S.r.l., which also changed the company name to FAN S.r.l. was signed; the merger deed was filed on the same date at the Rome Company Registration Office;

n) on March 8, 2010, Whirlpool and FAN S.r.l. signed an agreement relating to some provisions of the Shareholder Agreement (the "**Supplementary Agreement**").

o) on December 18, 2010, as neither Party had communicated to the other their opposition to the renewal of the Shareholder Agreement, in accordance with the conditions at the subsequent point 5.3, the Parties renewed the Shareholder Agreement without any amendments for a further period of three years.

#### **communicates that**

The Shareholder Agreement (i) grants Whirlpool an option to purchase shares held in the Company from FAN; (ii) stipulates certain aspects relating to the governance of Elica; (iii) imposes certain limits to the transfer of the shares held by the Parties; (iv) contains a non competitive clause by FAN and parties it controls and (v) requires that the Shares acquired based on the Share Option Agreement are automatically conferred to the Agreement.

#### **1. Company whose instruments are subject to the Shareholder Agreement**

Elica S.p.A., registered office in Fabriano (AN), Via Dante Alighieri n. 288, Company's Register Office Ancona No. 00096570429, share capital Euro 12,664,560.

#### **2. Financial instruments subject to the Shareholder Agreement and percentage compared to the share capital.**

The Shareholder Agreement concerns all the shares in the Company held or which will be held by the Parties for the duration of the Agreement and, for some specific clauses, some of the Shares held by the shareholders, directly or indirectly, of FAN, as indicated in the table below, which illustrates the situation at today's date.

Shareholder	Number of shares held	Number of shares conferred	% of Shares conferred compared to the share capital
FAN *	33,440,445	33,440,445	52.8095
Whirlpool **	6,332,280	6,332,280	10.0000
<b>Total</b>	<b>39,772,725</b>	<b>39,772,725</b>	<b>62.8095</b>

\* FAN S.r.l. sub-enters Fan S.A. from the effective date of the merger.

\*\* The total holding of Whirlpool takes into account, in addition to the 100 Shares transferred to Whirlpool by FAN S.A., 1,107,200 shares transferred to Whirlpool by Ms. Gianna Peralisi (1.7485% of the share capital of Elica), 1,035,650 shares transferred to Whirlpool by Mr. Francesco Casoli (1.6335% of the share capital of Elica), 426,000 shares transferred to Whirlpool by Ms. Cristina Casoli (0.6727% of the share capital of Elica) and 597,190 shares transferred to Whirlpool by Anpier S.p.A. (0.9431% of the share capital of Elica), in addition to shares acquired by Whirlpool following the Modifying Agreements up to February 23, 2010.

The Shareholder Agreement has no impact on the control of the Company which, pursuant to article 93 of the Consolidated Finance Act, is indirectly held by Ms. Gianna Peralisi.

### 3. Contents of the Share Option Agreement.

3.1 Elica has granted to Whirlpool, for the duration of the Option Period, the right to purchase from the Company the Shares of the Call Option at a price per Share equal to the lower of (i) Euro 0.50 plus the weighted average price per Share paid by the Company in the buyback programme approved by the Shareholders' Meeting of the Company on August 3, 2007 up to the previous trading day at each exercise date of the Call Option, for the Shares resulting from the share register at that date, and (ii) Euro 5. Whirlpool may exercise the Call Option in one or more tranches not lower than the minimum between (a) 2.5% of the share capital of the Company and (b) the number of Shares held by the Company at the exercise date of the Call Option, on condition that the total number of the Shares acquired by Whirlpool following this exercise in each quarter will not exceed 5% of the share capital of the Company. The limit of 5% of the share capital of the Company may be exceeded in the final quarter of the Option Period for a total number of shares requested by Whirlpool in the previous quarters and not delivered by Elica, with a maximum limit of 10%. Following the exercise of the Call Option, the Company will sell a number of Shares equal to the lower between (i) the number of the Call Option Shares for which Whirlpool has exercised the Call Option and (ii) the number of Shares held by the Company at the exercise date of the Call Option.

3.2 Whirlpool, until the first date between (i) the end of the Option Period and (ii) the day of the purchase by Whirlpool of all the Call Option Shares, will not purchase or authorise the purchase of Shares or rights on shares, on the market or outside of the market.

3.3 Pursuant to the Modifying Agreement, Whirlpool, in derogation to the limit cited at point 3.2, may purchase a maximum number of 1,266,456 ordinary shares of the Company, comprising 2% of the Share Capital, on the market in the period between the signing of the Modifying Agreement and March 31, 2009. Tali acquisti dovranno essere effettuati da Whirlpool tramite un solo intermediario e, alla fine del periodo di acquisto, Whirlpool dovrà versare alla Società un importo di Euro 0,50 per ogni azione acquistata sul mercato. Le azioni così acquistate da Whirlpool ridurranno il numero massimo di azioni per le quali Whirlpool potrà esercitare l'Opzione Call.

3.4 Pursuant to the Second Modifying Agreement (i) the options period will be extended to December 31, 2009, with amendment of the duration of the Share Options Agreement; (ii) Whirlpool, in derogation to the limit cited at point 3.2, may purchase a maximum number of 1,899,684.00 ordinary shares of the Company, comprising 3% of the Share Capital, on the market in the period between the signing of the Modifying Agreement and December 31, 2009. These purchases must be carried out by Whirlpool through only one intermediary and at the end of the purchase period Whirlpool must pay an amount of Euro 0.50 for each share purchased on the market to the Company.

Such shares purchased by Whirlpool reduces the maximum number of shares for which Whirlpool can exercise the Call Option.

### 4. Provisions of the Shareholder Agreement.

The provisions of the Shareholder Agreement are outlined below.

#### 4.1 Sales option of the Incomplete Shares

Where, on the expiry of the Option Period, the Company is unable for whatever reason to deliver all the Shares that Whirlpool had exercised in the Call Option and Whirlpool has communicated to FAN the wish to acquire a number of Shares equal to the difference between the Shares that Whirlpool had exercised in the Call Option and the Shares effectively sold by the Company to Whirlpool (the "**Incomplete Shares**"):

(i) where the weighted average price of the Shares on the MTA during the Option Period exceeds Euro 5, FAN will have the obligation to sell to Whirlpool the Incomplete Shares at a price per share of Euro 5; or

(ii) where the weighted average price of the Shares on the MTA during the Option Period does not exceed Euro 5, Whirlpool will acquire the rights related to the reaching of the shareholding threshold contained in the Shareholder Agreement (including, on an example basis, those described at paragraph 4.2.3) as if they had acquired all the Shares of the Call Option on the last day of the Option Period, without Whirlpool having to acquire any Incomplete Shares.

#### 4.2 Governance

The agreement provides for the following governance terms.

4.2.1 FAN will ensure that for the duration of the Shareholder Agreement, one member of the Board of Directors of the Company is nominated on the recommendation of Whirlpool, subject to this latter being

a holder of at least 5% of the share capital of the Company. Where the Shareholder Agreement is terminated or Whirlpool has a holding lower than 5% of the share capital of the Company (except as a consequence of a **"Post-Closing Dilution"** or as a consequence of a breach of the Shareholder Agreement by FAN or a breach of the Share Option Agreement by Elica), Whirlpool will request the designated Director to resign from office. Post-Closing Dilution is intended as the dilution of the investment by the Investor deriving from (i) any issues of Shares or Elica Securities (as defined) where the Investor does not have an option right or (ii) mergers or any other operations carried out by the Company after the Closing. In the case of the appointment of a new Board of Directors during the Shareholder Agreement, FAN will present a single slate of candidates, which will include the Director designated by Whirlpool and a further candidate, indicated by Whirlpool as a replacement of the first candidate.

4.2.2 Without the approval of FAN, the designated Director of Whirlpool may not be an employee, a director or an executive of Whirlpool or a **"Related Party"** (intended, with reference to each Party, as a party which directly or indirectly controls, is controlled by or is subject to common control with this Party).

4.2.3 Where Whirlpool has a shareholding in Elica of at least 10%, the resolutions of the Shareholder Meetings or of the Board of Directors relating to:

(a) any issue of Shares or other "Elica Securities" (intended as any class of shares - including the Shares - convertible bonds or other securities or equity financial instruments issued by Elica), in which Whirlpool does not have the rights option, will be adopted with the favourable vote respectively of Whirlpool or of the Director designated by Whirlpool; and

(b) distribution of reserves or other provisions or assets, spin-offs, reduction of share capital (except in the case of the obligatory reduction of the share capital pursuant to article 2446, second paragraph, and article 2447 of the Civil Code) or any other resolution of the Shareholders that results in a reduction in the shareholders' equity of the Company under Euro 126,000,000 will be adopted with the favourable vote of Whirlpool or of the Director designated by Whirlpool, whose vote may not be unreasonably declined.

4.2.4 For the duration of the Option Period, FAN will not undertake any action to eliminate or to resolve the buyback programme approved by the Shareholders' Meeting of 3 August 2007.

#### 4.3 Limits to the transfer of shares

The provisions of the Shareholder Agreement on the transfer of shares are outlined below.

##### 4.3.1 Non transfer obligations

(a) Up to (x) the second anniversary of the Closing or, if subsequent, (y) in the case in which FAN, Fintrack S.p.A. (parent company of FAN) and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli no longer have a holding in the share capital of the Company equal to at least 47%, the first anniversary of the last purchase of the Shares by Whirlpool (the **"Standstill Period"**), FAN and Whirlpool may not transfer or may not encumber (where such an encumbrance would involve the Shares to be exercised by third parties) the respective Shares and the other Elica Securities held. In addition, during the Standstill period, (i) the Parties will not promote directly or indirectly, alone or together with third parties, public purchase or exchange offers on the Shares or on the other Elica Securities; (ii) the Parties will not undertake any action or omission which results in the obligation to promote directly or indirectly, alone or together with third parties, an obligatory public purchase offer on the Shares and on the other Elica Securities and (iii) Whirlpool will not act, alone or in concert with other parties, to acquire the control of the Company or to solicit proxies at the shareholders' meeting of the Company, an obligation which will also apply to the Related Parties. Following the launch of a public purchase or exchange offer on the Shares or on the other Elica Securities by third parties not related in the Standstill Period, each Party will have the right to launch a counter-bid on the Shares and other Elica Securities.

(b) For the entire duration of the Shareholder Agreement FAN will not transfer any Shares or Elica Securities held at the date of the Shareholder Agreement to any third parties involved vertically or horizontally in the production, development, marketing or sales of products of water purification, white electrical goods, home appliances, air-conditioning systems and compressors for fridges and air-conditioning systems (a **"Competitor"**) nor vote in favour of the issue of Shares or Elica Securities in favour of a competitor. FAN will ensure that this clause is complied with also in relation to any Share or Elica Security held by the Company or Related Parties to FAN.

##### 4.3.2 Transfers permitted

During the Standstill Period, Whirlpool and FAN may freely transfer the Shares or any other Elica Security in which, from time to time, they hold/acquire ownership in the following cases:

(a) transfer from FAN (or its successors if permitted by the Shareholder Agreement) to Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, or their spouses or relatives (as defined by articles 74 and 76 of the Civil Code) or to a company wholly owned or controlled by one of these parties;

(b) transfer from Whirlpool to a Related Party of Whirlpool Corporation or by FAN to a Related Party of FAN, provided that such Related Party of FAN is not held by a Competitor of Whirlpool.

In each case the buyer must adhere to the Shareholder Agreement and the seller will ensure that the buyer remains a Related Party and will remain fully committed to the seller.

#### 4.3.3 Pre-emptive Right

Where one of the Parties wishes to transfer, all or part, of the Shares or other Elica Securities it holds during the Shareholder Agreement, in favour of any other person or entity, the following procedures are applied:

(a) where one of the Parties wishes to transfer Shares or other Elica Securities, they will communicate their intention in writing (the "**Offer**") to the other Party. During a period not beyond 30 days from the reception of the Offer (the "**Pre-exemption Period**"), the other Party will have the right to acquire all (and not just some) of the Shares or Elica Securities described in the Offer at the same terms and conditions within 30 working days from the reception of the Offer;

(b) where the Offer does not contain a cash sum, the Parties may jointly nominate an investment bank of international renown within 10 days from the Pre-emption Period in order to determine the value of the Shares or the Elica Securities and the corresponding consideration in cash.

#### 4.3.4 Extension of the transfer limits

The Parties have agreed that the provisions described in paragraphs 4.3.2 and 4.3.3 are also applied to the Shares and Elica Securities held by a Related Party of FAN including Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli. In relation to the pre-emptive right:

(i) this does not apply to the transfer of Shares or Elica Securities held directly by Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli at the date of the Shareholder Agreement or subsequently acquired by them on the market; and

(ii) paragraph 4.3.3 also applies to each transfer of the majority of the shares (or rights on these) issued by FAN or by a party directly or indirectly controlled by FAN; in the case in which the transfer of the majority of the shares issued by these parties is made through several transfers of minority holdings, FAN will transfer on the request of Whirlpool all the Elica shares held by FAN at that date at the price determined in accordance with the terms of paragraph 4.3.3(b).

#### 4.4 Non Competition Clause

FAN, also on behalf of its parent company Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli, will ensure that, until any party among FAN, Fintrack S.p.A. and Ms. Gianna Pieralisi, Mr. Francesco Casoli and Ms. Cristina Casoli (the "**Non-Competitive Party**") holds directly or indirectly, individually or together with third parties, Shares or other Elica Securities or rights from these or relating to these, up to the first date between (i) the expiry of the Shareholder Agreement and (ii) 18 months after the date in which the Non-Competitive Party will cease to hold, directly or indirectly, Shares or such holdings or rights, this Non-Competitive Party may not:

(i) undertake or make, directly or indirectly, on its own behalf or on behalf of third parties, in North America (United States of America, Canada, Mexico), Europe (including Russia and Turkey), the Middle East and Africa (the "**Territory**"), any commercial or entrepreneurial operation in the production, research and development, marketing, distribution and sale of kitchen hoods (the "**Competitive Activity**");

(ii) hold, directly or indirectly, any interest, participation or affiliation, on its own behalf or of other parties or entities, in the Territory and in relation to the Competitive Activity, or be (A) a shareholder, lender or investor, which exercises the control or significant influence on the operations or (B) a shareholder or investor that holds (or has related voting rights or equity rights) more than 10% of any non-listed category of securities of, or more than 2% of the listed securities of, any party that undertakes or makes any commercial or entrepreneurial operations described in paragraph (i) above.

#### 4.5 Conditional rights

The rights of Whirlpool described in paragraph 4.3.1 (b), 4.3.3 and 4.4 will no longer have effect if, at the end of the Option Period, the holding of Whirlpool is lower or reduces below 10% of the share capital of the Company, except in the case of a Post-Closing Dilution or due to a breach of the Shareholder Agreement by FAN or a breach of the Share Option Agreement by Elica. Under the Supplementary Agreement, the parties agree that (i) the 10% holding in Elica was considered reached by Whirlpool on December 31, 2009 (ii) the terms of the Agreement whose enforcement was dependent on the holding by Whirlpool of 10% of the share capital of Elica at maturity of the options period, as extended by the Second Modifying Agreement, is fully effective.

#### **5. Duration and renewal of the Shareholder Agreement.**

5.1 The agreement will remain in force until the first date between (i) the third anniversary of the Closing (or the fifth if the Elica Shares are no longer listed) and (ii) the date in which Whirlpool holds less than 5% of the share capital of the Company (except in the case of a Post-Closing Dilution or as a consequence of the breach of the Shareholder Agreement by FAN or of a breach of the Share Option Agreement by Elica).

5.2 Where one of the Parties communicates to the other Party, at least 3 months before the expiry of the Agreement, their opposition to the renewal of the Shareholder Agreement, the Parties will meet within 2 weeks in order to negotiate in good faith the renewal of the Shareholder Agreement or the agreement of a new Shareholder Agreement between the Parties.

5.3 The Parties declare from the present moment, where on the expiry of the Agreement or on the negotiation of its renewal, the OEM Supplier Agreement is still effective and Whirlpool has acquired and still holds an investment of at least 10% in the share capital of Elica, they intend to renewing the Shareholder Agreement without any modifications for a further period of three years (or one year where the previous term was five years).

5.4) on December 18, 2010, as neither Party had communicated to the other their opposition to the renewal of the Shareholder Agreement, in accordance with the conditions at point 5.3, the Parties renewed the Shareholder Agreement without any amendments for a further period of three years.

#### **6. Type of Agreement.**

The Agreement is made in accordance with article 122 of the Consolidated Finance Act and, specifically, fifth paragraph, letters a), b) and c) of this legislation.

#### **7. Registration of the Agreement.**

The Shareholder Agreement was communicated to Consob and was filed at the Ancona Company Registration Office on December 20, 2007.

The Modifying Agreement is subject to Consob communications and was filed at the Ancona Company's Registration Office on December 10, 2008.

The Second Modifying Agreement is subject to Consob communications and was filed at the Ancona Company's Registration Office on June 23, 2009.

The Supplementary Agreement is subject to Consob communications and was filed at the Ancona Company's Registration Office on March 9, 2010.

#### **8. Resolution, withdrawal and penalty clauses**

##### 8.1 Right of resolution

(a) Where Whirlpool or FAN violates or does not comply with some essential clauses of the Agreement (each a "Breach"), the non-defaulting party will have the right to bring the Shareholder Agreement to immediate fruition through communication to the defaulting party pursuant to article 1456 of the Civil Code.

(b) In the case of (i) advanced dissolution of the OEM Supply Agreement for an alleged breach by Elica of the OEM Supply Agreement, or (ii) advanced dissolution of the Share Option Agreement for an alleged breach by Elica (each a "**Elica Dissolution Event**"), Whirlpool may withdraw from the Shareholder Agreement with immediate effect through written communication to FAN.

(c) In the case of (i) advanced dissolution of the OEM Supply Agreement for a breach by Maytag or (ii) proof of serious breach of certain essential clauses of the OEM Supply Agreement (each a "**Buyer Dissolution Event**"), FAN may withdraw from the Shareholder Agreement with immediate effect through written communication to Whirlpool.

#### 8.2 Exit procedure by Whirlpool

(a) In the case of (i) dissolution of the Shareholder Agreement following a Breach by FAN, (ii) dissolution of the Shareholder Agreement following an Elica Dissolution Event, or (iii) non renewal of the Shareholder Agreement following notice by FAN pursuant to paragraph 5.3 above (each a "**Whirlpool Exit Event**"), Whirlpool will have the unconditional right to sell on the market, all or part, the 5% Share, the Call Option Shares and any Incomplete Shares held at that moment.

(b) Where there is a Whirlpool Exit Event, Whirlpool, within 30 working days, must provide written communication (the "**Exit Declaration**") to FAN specifying the Whirlpool Exit Event and indicating (i) the calculation of the weighted average price per share (the "**Average Purchase Price**") paid by Whirlpool on the purchase from FAN and/or from the Company of the 5% Share, the Call Option Shares and any Incomplete Shares (the "**Exit Shares**") and (ii) the weighted average market price per share of the last 30 days preceding the Exit Declaration (the "**Elica Weighted Price**"). In this case FAN, with written communication to Whirlpool within 10 working days from the Exit Declaration, will have the right to buy from Whirlpool all the Exit Shares at the Average Purchase Price within 10 working days of the above-mentioned communication. Where FAN decides not to buy these Shares at the Average Purchase Price, or subsequently does not make the payment within the agreed terms, Whirlpool will have the right to obtain from FAN within 20 working days of the Exit Declaration an amount equivalent to the difference between the Average Purchase Price (if higher than the Elica Weighted Price) and the Elica Weighted Price, multiplied by the number of Exit Shares (the "**Exit Difference**").

#### 8.3 Exit procedure by FAN

(a) In the case of (i) dissolution of the Shareholder Agreement following a Breach by Whirlpool or (ii) dissolution of the Shareholder Agreement following a Buyer Dissolution Event (each a "**FAN Exit Event**"), FAN will have the unconditional right to buy, all or part, the 5% Share, the Call Option Shares and any Incomplete Shares held at that moment by Whirlpool (the "**FAN Exit Shares**").

(b) Where there is a FAN Exit Event, within 30 working days of being aware of the event, FAN may inform Whirlpool through written communication and Whirlpool will be obliged to sell to FAN the Exit Shares of FAN at the Average Purchase Price within 20 working days of the reception of the above-mentioned communication.

### **9. Other information.**

The Agreement does not provide for a committee to oversee its functioning.

The Agreement does not contain obligations to register the Shares conferred to the Agreement.

December 23, 2010

## **ATTACHMENT 2**

### *Description of the principal characteristics of the risk management and internal control system in place in relation to financial disclosure*

#### *Introduction*

The Internal Control and Risk Management System in relation to Financial Disclosure should not be considered separately. They are in fact constituent elements of the same Control System, described in the previous Chapter 11.



Employing a single and integrated approach the Company therefore considered it correct to base the guidelines for the design, implementation and maintenance of the Internal Control System on the best international practices, which currently stem from the study conducted by the Committee of Sponsoring Organizations of the Threadway Commission (CoSO Report), published for the first time in 1992 and indicated as best practice by the Sarbanes-Oxley Act of 2002. In addition to this, the development and implementation of the control procedures were conducted taking account of the Control Objectives for IT and related technology (COBIT Framework) and the Self-Governance Code of the Committee for Corporate Governance of Borsa Italiana SpA, of the Confindustria “Guidelines”, of the “Ethics Code” and further regulations and rules in force, as well as national and international standards and guidelines concerning Internal Control Systems in general, and specifically concerning Financial Disclosure Control Systems.

With specific regard to the administrative-accounting processes, the Internal Control System, as described above, supports the basis of the declaration which the Executive Responsible for the Preparation of the Corporate Accounting Documents must release in accordance with Article 154-*bis* of Legislative Decree 58/98.

The structuring and organisation of administrative-accounting processes, in continuous development, is focused on achieving maximum synergy between achieving the compliance objectives and the optimisation objectives, through actions focused on formalising the processes and their efficiency, the identification and the evaluation of risks and the design of mitigating controls according to a structured methodology, with an overall view to achieving maturation of the entire System, extendable to the Group in the medium term.

#### ***Phases of risk management and internal control in place in relation to Financial Disclosure***

The System of Financial Disclosure Control of Elica is based on the phases described below:

*(i) Definition of the perimeter of analysis*

The identification of the scope of the entity and of the significant processes in terms of potential impact on Financial Disclosure is conducted, within the Group, in order to guarantee the objectives of reliability, accuracy, trustworthiness and timeliness of the

financial-administrative data and, more in general, to represent in a true and correct manner the financial situation of the Group.

For this purpose, utilising internal resources, the Company submits the business to a valuation process (scoping activity) through using the following methodology:

- **carrying out of a quantitative analysis whereby**, applying the legal limits in relation to the significance of the financial statements of the individual legal entities in relation to the overall consolidation, permits the isolation of Group entities and, therein, the individual financial statement items considered significant for the exceeding of economic values. In addition to this, thanks to the use of a specific reconciliation matrix between the accounts plan and the administrative-accounting processes mapped and the analysis and tests of the corresponding corporate processes.
- **carrying out of a qualitative analysis** which, taking account of the results from the previous quantitative analysis, allows an evaluation of the significance of the individual entities within the development of business processes and their level of complexity, determining the inclusion or exclusion from the analysis also in regard to the level of specific risk connected to the individual legal entity and within this, to the specific processes.

*(ii) Evaluation of the design of the Control System*

The administrative-accounting processes, identified as above, are documented through utilising structured instruments to improve operations, allowing analysis and maintenance and an exhaustive description of the risks and the controls in place (Risk and Control Matrix or RCM). These instruments allow the documentation, the evaluation of risks, the evaluation of the design of the Financial Disclosure Control System against the risks identified and allow periodic verifications focused on verifying the effective operation of the Control System. This mapping process is subject to ongoing analysis and evaluation to ensure the responsiveness to the reality and the strength of the design for risk coverage. In 2012 an analysis was carried out at company level of the so-called Entity Level Controls and of the IT General Controls. In relation to the analysis of the Entity Level Controls, a self-evaluation was carried out of the primary Company guidelines to facilitate the work which, for this purpose, employed a widely used international level framework (ERM-COSO). In the analysis of the ITGC the

workgroup employed a widely used international framework (CobiT), involving the principal IT Department Managers.

*(iii) Evaluation of the operation of the Control System*

The controls, as identified by the joint development of the preceding phases, are submitted to operating verifications (testing), through activities focused on re-examination of their design and verification of their effective implementation in the time period taken into consideration, or carried out effectively in conformity with the design. This activity, scheduled throughout the year, consists of an initial walkthrough of the audit and a subsequent documented analysis concerning the items subject to operating process verification (e.g. purchases, sales, personnel and inventory). A further method of control, carried out in the year, concerns a check on the rectification of the critical issues emerging from the analysis conducted in previous years (follow up).

The results from the previous activities (testing and follow-up) is compiled into a managerial report which, in the case of deficiencies in the design and/or the identified controls, sets out a remediation plan, which is sent to the Executive responsible and based on which the reliability and trustworthiness of the parent company and consolidated financial statements is established.

***Roles and Functions involved***

The Risk and Control Management System, in relation to the Financial Disclosure of Elica is overseen by the Executive Responsible who draws up adequate administrative and accounting procedures for the preparation of the parent company and consolidated financial statements, in addition to all communications of a financial nature.

The Executive Responsible declares upon the adequacy and the effective application of these procedures with regard to the half-year and annual financial statements, both for the parent company and for the group.

In carrying out the duties assigned by the Board of Directors, the Executive Responsible:

- avails of the contribution of the Internal Auditor who provides support with regard to the mapping of processes activity and concerning controls, as described above;

- is supported by the corporate boards of the subsidiary legal entities which, on the occasion of the half-year and annual financial statements, declare the completeness and accuracy of the financial information provided by them;
- establishes a relationship of complete sharing and transparency with the Internal Control Committee and the Board of Statutory Auditors sharing, at least half-yearly the evaluations on the activities carried out and the actions to be undertaken.